DēLonghi Group

Interim financial report at 30 September 2014

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

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

Consolidated result for the quarter

(€/million)	3rd quarter 2014	% revenues	3rd quarter 2013 (*)	% revenues	Change	% change
Revenues	386.8	100.0%	363.4	100.0%	23.3	6.4%
Revenues at costant currency change	*392.3*		*361.9*		*30.4*	*8.4%*
Net industrial margin	182.9	47.3%	175.2	48.2%	7.7	4.4%
EBITDA before non-recurring expenses	49.4	12.8%	51.2	14.1%	(1.8)	(3.5%)
EBITDA before non-recurring expenses at costant currency change	*51.1*	*13.0%*	*48.6*	*13.4%*	*2.5*	*5.2%*
EBIT	38.0	9.8%	40.9	11.2%	(2.9)	(7.0%)

(*) Comparative data were restated following the retrospective application of IFRS 11 - *Joint arrangements,* under which the accounting of joint ventures must be done according to the equity method, as per IAS 28 - *Investments in associates and joint venture,* as amended. This led to lower revenues as of September 30th, 2013, by Euro 3.8 million and lower EBITDA by Euro 0.2 million.

Year-to-date income statement (9 months)

(€/million)	30 September 2014	% revenues	30 September 2013 (*)	% revenues	Change	% change
Revenues	1,086.9	100.0%	1,025.7	100.0%	61.2	6.0%
Revenues at costant currency change	*1,121.3*		*1,023.5*		*97.9*	*9.6%*
Net industrial margin	510.4	47.0%	502.1	49.0%	8.3	1.7%
EBITDA before non-recurring expenses	136.6	12.6%	134.0	13.1%	2.6	1.9%
EBITDA before non-recurring expenses at costant currency change	*146.8*	*13.1%*	*128.4*	*12.5%*	*18.4*	*14.3%*
EBIT	103.2	9.5%	102.2	10.0%	1.0	1.0%
Profit (loss) pertaining to the Group	54.2	5.0%	57.0	5.6%	(2.7)	(4.8%)

(*) Comparative data were restated following the retrospective application of IFRS 11 - *Joint arrangements,* under which the accounting of joint ventures must be done according to the equity method, as per IAS 28 - *Investments in associates and joint venture,* as amended.
This led to lower revenues as of September 30th, 2013, by Euro 12.4 million and lower EBITDA by Euro 0.6 million.

Statement of financial position

(€/million)	**30.09.2014**	**30.09.2013** (*)	**31.12.2013** (*)
Net working capital	329.1	286.7	226.7
Net operating working capital	365.2	335.0	277.3
Net capital employed	800.4	743.4	679.0
Net debt /(Net financial assets)	97.4	121.5	9.0
of which:			
- *Net bank debt/(Net bank assets)*	*57.5*	*73.6*	*(40.9)*
- *Other financing payables/(assets)* (**)	*39.9*	*47.9*	*49.9*
Net equity	703.0	621.9	669.9
Net working capital /Net revenues	19.6%	18.3%	14.0%
Net operating working capital / Net revenues	21.8%	21.4%	17.1%

(*) Comparative data were restated following the retrospective application of IFRS 11 - *Joint arrangements,* under which the accounting of joint ventures must be done according to the equity method, as per IAS 28 - *Investments in associates and joint venture,* as amended. This led to higher net debt as of September 30th, 2013, by Euro 6.5 million (Euro 6.8 million as of December 31st, 2013).
The comparative figures were also restated as a result of the definitive accounting for the business combination related to the Braun Household acquisition in accordance with IFRS 3 - Business combinations, with no effect on the net debt and the net equity.
(**) Includes the current value of the earn-out (including the interest accrued at the end of the reporting period).

Performance review and significant events

Exchange rates continued to fluctuate significantly in the third quarter of the year, with the Euro strengthening against a few of the currencies in which the Group operates (above all in Russia, Ukraine, Australia and Japan). This trend, coupled with the political instability that affected a few countries (above all Ukraine and a few MEIA countries), had a negative impact on the Group's sales and margins (in both absolute terms and in comparison with the same period 2013).

Despite this difficult environment, the Group posted revenues of €386.8 million (+6.4% against third quarter 2013) in third quarter 2014 and of €1,086.9 million in the first nine months of the year (an increase of €61.2 million or +6.0% with respect to the first nine months of 2013); at constant exchange rates, namely the same exchange rate applied in the same period 2013, and adjusted for hedging, growth would have reached +8.4% or approximately €30.4 million in the three month period; at constant exchange rates, and adjusted for hedging, growth in the nine month period would have reached +9.6% or €97.9 million.

The Group continued with the strategy to invest in its brands and products which made it possible to protect and increase market share; in the third quarter, in particular, investments increased in advertising and promotions in order to support the launch of a few new products including the new low-oil fryer/multi-cooker "Multifry", the "Jovia" Dolcegusto machine which is produced internally under the De'Longhi brand and the new Kenwood brand stand mixer "Chef Sense".

In terms of markets, growth was posted in all business regions: Europe led the way thanks to contributions from both the North East (+13.8%) and the South West (+3.9%). Positive overall results were recorded in the APA region (+ €7.4 million or +3.2%), despite the negative exchange effect, and the MEIA region (+ €3.3 million or 2.9% against the first nine months of 2013), despite the geopolitical tensions in a few of the region's countries and the negative exchange effect.

The breakdown of revenues by product line shows a good sales trend for Kenwood brand kitchen machines and small kitchen appliances. Sales also increased for coffee makers thanks to the good results reported by the main product categories (in particular the fully automatic machines) with the exception of the purchased Nespresso brand capsule machines.

Sales for the comfort line rose slightly, thanks to the good performance posted in America and despite the bad weather conditions in Italy that significantly impacted sales in this market.

Sales for the Braun brand products rose significantly after a first year as a start-up (characterized by development of the organization, as well as the commercial and investment policies) with double digit growth compared to the same period 2013.

As for margins, De'Longhi closed the first nine months with a net industrial margin of €510.4 million (€502.1 million in the first nine months of 2013), dropping as a percentage of revenues from 49.0% to 47% as a result, above all, of the negative exchange and price effects (relating primarily to the promotions launched in the first six months of the year) which were only partially offset by the positive mix effect and higher volumes.
The drop of the industrial margin as a percentage of revenues with respect to the first nine months of 2013 was partially offset by a decrease in costs for services explained, above all, by lower fixed costs as a result of organic growth and despite the increased investments in advertising and promotions (concentrated, above all, in the third quarter).

EBITDA before non-recurring expenses amounted to €136.6 million and came to 12.6% of revenues (€134.0 million and 13.1% of revenues in the first nine months of 2013).
At constant exchange rates EBITDA before non-recurring expenses would have amounted to €146.8 million (13.1% of revenues), an increase of €18.4 million with respect to the first nine months of 2013 (+14.3%).

EBIT amounted to €103.2 million in the first nine months of 2014 (€102.2 million in the first nine months of 2013), after amortization and depreciation of €33.4 million, an increase with respect to the same period in 2013 as a

result of the investments made in production (mainly in China and Romania). As a percentage of revenues EBIT reached 9.5% (10.0% in the first nine months of 2013).

Profit pertaining to the Group amounted to €54.2 million in the first nine months of 2014, compared to €57.0 million in the same period of 2013, due also to the increase in financial expenses linked to higher currency hedging costs.

Net debt amounted to €97.4 million at 30 September 2014, €57.5 million of which relates to net bank debt (excluding, therefore items other than net bank debt such as, 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 of derivatives and call options on minority interests).
The change in the net financial position versus banks in the last twelve months reached a positive €16.1 million: net of the non-operating financial components (which relate primarily to dividends paid and non-recurring investments), net debt with banks improved by €77.3 million (€107.2 million in the previous twelve months).
In order to optimize the Group's financial structure, in the first nine months of 2014 two medium/long term loans were repaid in advance for a total principal amount of €70 million.

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	**30.09.2014**	**% revenues**	**30.09.2013 (*)**	**% revenues**
Revenues	**1,086.9**	**100.0%**	**1,025.7**	**100.0%**
Change	*61.2*	*6.0%*		
Materials consumed & other production costs (production services and payroll costs)	(576.5)	(53.0%)	(523.6)	(51.0%)
Net industrial margin	**510.4**	**47.0%**	**502.1**	**49.0%**
Services and other operating expenses	(263.7)	(24.3%)	(263.7)	(25.7%)
Payroll (non-production)	(110.1)	(10.1%)	(104.4)	(10.2%)
EBITDA before non-recurring income/expenses	**136.6**	**12.6%**	**134.0**	**13.1%**
Change	*2.6*	*1.9%*		
Other non-recurring income (expenses)	-	0.0%	(0.4)	0.0%
EBITDA	**136.6**	**12.6%**	**133.6**	**13.0%**
Change	*3.0*	*2.2%*		
Amortization and depreciation	(33.4)	(3.1%)	(31.4)	(3.1%)
EBIT	**103.2**	**9.5%**	**102.2**	**10.0%**
Change	*1.0*	*1.0%*		
Financial income (expenses)	(29.6)	(2.7%)	(25.8)	(2.5%)
Profit (loss) before taxes	**73.6**	**6.8%**	**76.4**	**7.5%**
Income taxes	(18.9)	(1.7%)	(18.9)	(1.8%)
Profit (loss) after taxes	**54.7**	**5.0%**	**57.5**	**5.6%**
Profit (loss) pertaining to minority interests	0.5	0.0%	0.6	0.1%
Profit (loss) pertaining to the Group	**54.2**	**5.0%**	**57.0**	**5.6%**

(*) Comparative data were restated following the retrospective application of IFRS 11 - *Joint arrangements,* under which the accounting of joint ventures must be done according to the equity method, as per IAS 28 - *Investments in associates and joint venture,* as amended. This led to lower revenues as of September 30th, 2013, by Euro 12.4 million and lower EBITDA by Euro 0.6 million.

Net revenues amounted to €386.8 million in third quarter 2014, an increase of 6.4% against third quarter 2013. This growth brought net revenues for the first nine months of 2014 to €1,086.9 million (+€61.2 million or +6.0% with respect to the first nine months of 2013), thanks to the positive mix/volume effect and despite the negative exchange (caused by the strengthening of the Euro with respect to the a few of the Group's reference currencies) and price effects. Prices impacted the Group's revenues above all in the first six months of the year when promotions were launched in a few markets; the price effect in the third quarter was largely immaterial.
At constant exchange rates, namely the same exchange rate applied in the same period 2013, growth would have reached +8.4% or approximately €30.4 million in the three month period; at constant exchange rates growth in the nine month period would have reached +9.6% or €97.9 million. The negative exchange effect was particularly significant in Russia, Ukraine, the main countries of the APA region (Japan, Australia, the United States) and the MEIA region.

The breakdown of revenues by product line shows a good sales trend for cooking and food preparation appliances, from the Kenwood brand kitchen machines to the small appliances; these results reflect the positive impact of the Group's premium positioning strategy and the market entry of the Braun products.

With regard to coffee makers, sales increased overall thanks to the good growth posted in the sale of fully automatic and internally produced capsule machines (sold under the Nespresso brand), as well as of traditional pump expresso and Dolcegusto machines thanks to the launch of the new, internally produced "Jovia" machine.

As for the comfort line, sales of air conditioners rose slightly thanks to the good performance posted in the United States and Brazil and despite the bad season in Italy due to the unfavorable weather conditions. Sales for heating products, which fell slightly, were impacted by the adverse exchange effect that affected the main markets (Japan, the Middle East, the United States and Russia).

As for margins, De'Longhi closed the first nine months of 2014 with an EBITDA before non-recurring expenses of €136.6 million or 12.6% of revenues (versus €134.0 million and 13.1% of revenue in the first nine months of 2013).
At constant exchange rates EBITDA before non-recurring expenses would have amounted to €146.8 million, an increase with respect to the first nine months of 2013 in absolute terms (+€18.4 million), and as a percentage of revenue (13.1% versus 12.5% of revenue).

The decline in EBITDA, as a percentage of revenues, is explained primarily by the net industrial margin which fell from the 49.0% posted in 2013 to 47.0% in 2014. The positive mix/volume effect was not sufficient to offset the negative exchange and price effects.
In third quarter 2014 production of the new "Jovia" Dolcegusto machine began, initially at the Italian plant (before being transferred definitively to the plant in Romania), which resulted in start up costs and a temporary increase in the cost of goods sold, as well as, consequently, lower margins in third quarter 2014.

"Costs for services and operating expenses" fell as a percentage of revenues from 25.7% to 24.3% thanks to better absorption of fixed costs as a result of the organic growth recorded in the first nine months of 2014, despite the increased investments in advertising and promotions made to support the Group's brands (the investments were concentrated in the third quarter of 2014).

EBITDA in the nine months period came to €136.6 million (€133.6 million in the first nine months of 2013, when non-recurring expenses amounted to €0.4 million).

EBIT amounted to €103.2 million in the first nine months of 2014 (€102.2 million in the same period 2013), dropping as a percentage of revenues from 10.0% to 9.5%, after amortization and depreciation of €33.4 million (a noticeable increase with respect to 2013 as a result of the recent investments made in production).

Net financial expenses at 30 September 2014 increased by €3.8 million, rising from €25.8 million to €29.6 million, due mainly to higher currency hedging costs.

Profit pertaining to the Group reached €54.2 million in the first nine months of 2014 (€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, and MEIA):

(€/Million)	30.09.2014	%	30.09.2013 (*)	%	Change	% Change
North East Europe	276.1	25.4%	242.6	23.6%	33.5	13.8%
South West Europe	451.1	41.5%	434.1	42.3%	17.0	3.9%
EUROPE	**727.1**	**66.9%**	**676.7**	**66.0%**	**50.5**	**7.5%**
APA (Asia / Pacific / Americas)	**242.0**	**22.3%**	**234.6**	**22.9%**	**7.4**	**3.2%**
MEIA (Middle East / India / Africa)	**117.8**	**10.8%**	**114.4**	**11.2%**	**3.3**	**2.9%**
Total revenues	**1,086.9**	**100.0%**	**1,025.7**	**100.0%**	**61.2**	**6.0%**

(*) Comparative data were restated following the retrospective application of IFRS 11 - *Joint arrangements,* under which the accounting of joint ventures must be done according to the equity method, as per IAS 28 - *Investments in associates and joint venture,* as amended.

In terms of markets, growth was posted in all business regions: growth in Europe (+€50.5 million, +7.5% with respect to the first nine months of 2013) was driven by the contributions of both the North East (+ €33.5 million or +13.8%) and the South West (+€17.0 million or +3.9%).

Of note in North East Europe are the good results posted in the United Kingdom, Russia (despite the negative exchange effect) and the Czech Republic/Hungary. In South West Europe good results were reported in France, Germany and the Iberian Peninsula.
The Italian market, down €3.2 million with respect to 2013, was impacted by the decline in the sale of portable air conditioners due to the unseasonably cool summer season (sales fell by approximately €4 million).

Positive overall results were also posted in the APA region (+€7.4 million or +3.2%), despite the negative exchange effect, thanks to the good sales trend reported in the United States, Brazil, Japan and the Far East; sales fell in Australia, due above all to a particularly adverse exchange effect; in third quarter 2014, however, sales in this market rose significantly posting double digit growth with respect to third quarter 2013.

The MEIA region rose as a whole (+€3.3 million or +2.9% with respect to the first nine months of 2013), thanks mainly to the contribution made by Saudi Arabia and despite the geopolitical tensions in a few of the region’s countries and the negative exchange effect.

Review of the statement of financial position

The reclassified consolidated statement of financial position is summarized below:

(€/million)	30.09.2014	30.09.2013 (*)	31.12.2013 (*)	Change 30.09.14 – 30.09.13	Change 30.09.14 – 31.12.13
- Intangible assets	326.3	329.0	327.3	(2.8)	(1.0)
- Property, plant and equipment	185.8	163.2	171.4	22.6	14.3
- Financial assets	7.8	7.5	7.4	0.3	0.4
- Deferred tax assets	48.6	45.0	38.1	3.5	10.5
Non-current assets	**568.4**	**544.7**	**544.2**	**23.6**	**24.2**
- Inventories	427.3	384.9	281.3	42.3	146.0
- Trade receivables	282.4	258.8	334.6	23.6	(52.2)
- Trade payables	(344.4)	(308.7)	(338.6)	(35.7)	(5.9)
- Other payables (net of receivables)	(36.2)	(48.3)	(50.6)	12.2	14.4
Net working capital	**329.1**	**286.7**	**226.7**	**42.4**	**102.4**
- Deferred tax liabilities	(17.5)	(9.0)	(10.1)	(8.5)	(7.4)
- Employee benefits	(32.9)	(27.6)	(28.7)	(5.3)	(4.3)
- Other provisions	(46.6)	(51.4)	(53.1)	4.9	6.6
Total non-current liabilities and provisions	**(97.0)**	**(88.1)**	**(91.9)**	**(9.0)**	**(5.1)**
Net capital employed	**800.4**	**743.4**	**679.0**	**57.0**	**121.5**
Net debt/(Net financial assets)	**97.4**	**121.5**	**9.0**	**(24.1)**	**88.4**
Total net equity	**703.0**	**621.9**	**669.9**	**81.1**	**33.1**
Total net debt and equity	**800.4**	**743.4**	**679.0**	**57.0**	**121.5**

(*) Comparative data were restated following the retrospective application of IFRS 11 - Joint arrangements, under which the accounting of joint ventures must be done according to the equity method, as per IAS 28 - Investments in associates and joint venture, as amended. This led to higher net debt as of September 30th, 2013, by Euro 6.5 million (Euro 6.8 million as of December 31st, 2013).
The comparative figures were also restated as a result of the definitive accounting for the business combination related to the Braun Household acquisition in accordance with IFRS 3 - Business combinations, with no effect on net equity and on the net debt.

Capital expenditures in the first nine months of 2014 amounted to €41.6 million (€39.1 million in first nine months of 2013) and include the non-recurring investments made primarily in the start-up of the production facility in Romania and the second wave of investments in the main Chinese plant amounting to €18.7 million (versus €10.2 million in the first nine months of 2013).

The Group's organic growth resulted in an increase in net working capital with respect to 30 September 2013 of €42.4 million. The working capital turnover ratio rose from the 18.3% recorded at the end of September 2013 to 19.6% of revenues, as a result also of the drop in other liabilities and temporary tax credits; net of these items, net operating working capital (which includes only inventory, trade receivables and payables) would have reached €365.2 million at 30 September 2014 (€335.0 million at 30 September 2013), with the turnover ratio coming in at 21.8% (21.4% in the same period 2013).

Details of the net financial position follow:

(€/million)	**30.09.2014**	**30.09.2013 (*)**	**31.12.2013 (*)**	**Change 30.09.14 – 30.09.13**	**Change 30.09.14 – 31.12.13**
Cash and cash equivalents	111.3	141.8	263.9	(30.5)	(152.6)
Other financial receivables	11.1	9.3	22.9	1.8	(11.8)
Current financial debt	(93.0)	(76.1)	(115.5)	(16.8)	22.5
Net current financial position	**29.5**	**75.0**	**171.3**	**(45.5)**	**(141.9)**
Non-current financial debt	**(126.8)**	**(196.4)**	**(180.4)**	**69.6**	**53.5**
Total net financial position/ (net debt)	**(97.4)**	**(121.5)**	**(9.0)**	**24.1**	**(88.4)**
Of which:					
- positions with banks and other financial payables	*(57.5)*	*(73.6)*	*40.9*	*16.1*	*(98.4)*
- financial assets/(liabilities) other than bank debt (residual payable to P&G related to the Braun acquisition, fair value of derivatives and options, financial debt linked to the English subsidiary's pension fund transaction)	*(39.9)*	*(47.9)*	*(49.9)*	*8.0*	*10.0*

(*) Comparative data were restated following the retrospective application of IFRS 11 - *Joint arrangements,* under which the accounting of joint ventures must be done according to the equity method, as per IAS 28 - *Investments in associates and joint venture,* as amended. This led to higher net debt as of September 30th, 2013, by Euro 6.5 million (Euro 6.8 million as of December 31st, 2013).

Net debt at 30 September 2014 amounted to €97.4 million and includes €39.9 million in items other than net bank debt: the portion of the potential earn-out payable to Procter & Gamble, other liabilities pertaining to the fair value of derivatives and call options on minority interests, as well as the financial payable resulting from the transfer of the pension fund liabilities pertaining to the UK subsidiary to third parties (the balance of these items reached a negative €47.9 million at 30 September 2013).

The net debt owed banks and other sources of finance, therefore net of the items other than bank debt, at 30 September 2014 amounted to €57.5 million (versus €73.6 million at 30 September 2013). There was an improvement, therefore, of €16.1 million in the twelve months, despite the non-recurring investments of approximately €23 million made in the new production projects in China and Romania.
Excluding the non-recurring or non-operating items (including the payment of dividends), the change in bank debt would have had a positive impact on the net financial position of €77.3 million in the twelve month period (€107.2 million in the previous twelve month period).

With regard to structure, the net current financial position amounted to €29.5 million at 30 September 2014 (€75.0 million at 30 September 2013).
The decrease in non-current debt (amounting to €69.6 million in the twelve months) and the drop in liquidity recorded at the same time (of €30.5 million) reflects the advance repayment made in June 2014 of the two unsecured loans granted by Bank of America - Milan Branch and Intesa San Paolo (taken out in 2012 to finance the Braun Household acquisition) for a total principal amount of €70 million as part of the Group's policy to optimize its financial structure. No new long-term loans were taken out in the first nine months of the year.

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

(€/million)	**30.09.2014 (9 months)**	**30.09.2013 (*) (9 months)**	**31.12.2013 (*) (12 months)**
Cash flow generated (absorbed) by current operations	103.4	105.4	205.0
Cash flow generated (absorbed) by changes in working capital	(113.0)	(71.4)	(32.6)
Cash flow generated (absorbed) by investment activities	(41.6)	(39.1)	(59.7)
Cash flow generated (absorbed) by operating activities	**(51.2)**	**(5.1)**	**112.7**
Dividends paid	(59.8)	(43.4)	(43.4)
Cash flow by changes in fair value and cash flow hedge reserves	4.2	(1.8)	(4.7)
Cash flow by changes in currency translation reserve	18.3	0.7	(1.7)
Cash flow by actuarial losses related to the agreement on the pension plan	-	(6.2)	(6.2)
Cash flow generated (absorbed) by other changes in net equity	0.2	0.3	0.4
Cash flow generated (absorbed) by changes in net equity	**(37.2)**	**(50.3)**	**(55.6)**
Cash flow for the period	**(88.4)**	**(55.4)**	**57.0**
Opening net financial position	(9.0)	(66.1)	(66.1)
Closing net financial position/(Net debt)	**(97.4)**	**(121.5)**	**(9.0)**

(*) Comparative data were restated following the retrospective application of IFRS 11 - *Joint arrangements,* under which the accounting of joint ventures must be done according to the equity method, as per IAS 28 - *Investments in associates and joint venture,* as amended.

Net cash flow from operating activities in the first nine months of 2014 reached a negative €51.2 million (versus a negative €5.1 million in the same period 2013). This result reflects primarily the absorption of working capital, linked to organic growth and the foreseeable sales for the last quarter, along with the non-recurring investments made in China and Romania (amounting to €18.7 million in the first nine months of 2014 versus €10.2 million in the same period 2013).

Cash flows in the period were also affected by changes in net equity, amounting to €37.2 million (versus €50.3 million in the first nine months of 2013). This figure is explained by, for €59.8 million, the payment of dividends, partially offset by the positive impact of the fair value measurement of currency hedging instruments (€4.2 million) and the €18.3 million in positive translation differences.
Cash flow in the first nine months of 2014 came to a negative €88.4 million (versus a negative €55.4 million in the same period 2013).

Here follows the statement of comprehensive income in the third quarter:

(€/million)	30.09.2014	30.09.2013
Profit (loss) for the period	**54.7**	**57.5**
- Change in fair value of cash flow hedges and available-for-sale financial assets	4.2	(1.8)
- Tax effect of change in fair value of cash flow hedges and available-for-sale financial assets	(0.9)	0.8
- Differences from translating foreign companies' financial statements into Euro	35.2	(15.1)
Total other components of comprehensive income that will subsequently be reclassified to the profit (loss) for the year	38.4	(16.1)
- Actuarial valuation of funds	-	(8.4)
- Tax effect of actuarial valuation of funds	-	1.9
Total other components of comprehensive income that will not subsequently be reclassified to profit (loss) for the year	-	(6.5)
Total comprehensive income (loss) for the period	**93.2**	**34.9**
Total comprehensive income (loss) attributable to:		
Parent company shareholders	92.7	34.3
Minority interests	0.5	0.6

Here follow the the main changes in net equity:

(€/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)
Effects resulting from restatement of earn out due to P&G	0.3	-	0.3
Net equity at 1 January 2013	**628.4**	**2.2**	**630.5**
Dividend distribution	(43.4)	(0.2)	(43.6)
Total comprehensive income (loss) for the period	34.3	0.6	34.9
Net equity at 30 September 2013	**619.4**	**2.5**	**621.9**
Net equity at 31 December 2013	**667.4**	**2.5**	**669.9**
Dividend distribution	(59.8)	(0.3)	(60.1)
Total comprehensive income (loss) for the period	92.7	0.5	93.2
Net equity at 30 September 2014	**700.3**	**2.8**	**703.0**

Procedures for the drawing of the interim financial report and alternative performance indicators

The present document reporting the unaudited consolidated results at 30 September 2014 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 2014, with comparatives at 30 September 2013. The statement of financial position figures refer to 30 September 2014, 30 September 2013 and 31 December 2013.

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 to prepare the consolidated financial statements at 31 December 2013 were also used, with the exception of a few standards and amendments that took effect as of 1 January 2014 the most important of which, for the purposes of this interim management statement, was the new version of IFRS 11 - *Joint arrangements*.
Based on this standard, joint control or the joint ventures entered into by the Group, were accounted for using the equity method (rather than the proportionate method) as per the amended version of IAS 28 - *Investments in associates and joint ventures*. Based on the equity method, the equity investment in an associate company is initially recognized at cost and the book value increased or decreased to reflect the gains or losses posted by the associate after the acquisition date. The amount of the equity investor's portion of the gain or loss is recognized in the latter's income statement.
As this standard is applied retroactively, the comparative figures in the balance sheet and income statement were restated accordingly.

Furthermore, the figures at 30 September 2013 were restated following definitive accounting of the business combination for the Braun Household acquisition, finalized on 31 December 2013, in accordance with IFRS 3 - *Business combinations*.
The principle effects of the restated comparative figures are noted below the tables.

The figures contained in this 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>Gross profit 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 operating working capital</u>: 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.

Subsequent events

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

Outlook

The first nine months of 2014 were characterized by a competitive, albeit slightly positive, small domestic appliances market and a particularly adverse foreign exchange environment. The Group, nevertheless, was able to achieve positive growth and gain market share thanks to a portfolio of brands and products that are leaders in the small domestic appliances market. Management expects that the market will continue to be competitive in coming quarters: the contribution from Braun and the investments in manufacturing, products and organization, however, will support the Group's future growth.

Treviso, 11 November 2014

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, 11 November 2014

Financial Reporting Officer

Stefano Biella

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

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