

DēLonghi Group

**Half-year financial report
at 30 June 2017**



KENWOOD

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COMPANY OFFICERS*

Board of Directors

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

Board of Statutory Auditors

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

External Auditors

E Y S.p.A. ***

Internal Auditing and Corporate Governance Committee

RENATO CORRADA **
SILVIO SARTORI
STEFANIA PETRUCCIOLI**

Compensation Committee

ALBERTO CLÒ **
CARLO GARAVAGLIA
CRISTINA PAGNI **

* The company officers were elected at the shareholders' meeting of 14 April 2016 for the period 2016-2018.

** Independent directors.

*** The engagement to audit the financial statements for 2010-2018 was approved at the shareholders' meeting of 21 April 2010.

KEY PERFORMANCE INDICATORS

Second quarter income statement

(€/million)	2nd quarter 2017	% revenues	2nd quarter 2016	% revenues	Change	Change %
Revenues	437.1	100.0%	411.6	100.0%	25.5	6.2%
Revenues like- for-like ^(*)	428.9		411.6		17.3	4.2%
Revenues at constant exchange rates ^(**)	431.6		412.5		19.1	4.6%
Net industrial margin	206.1	47.1%	197.5	48.0%	8.5	4.3%
Net industrial margin like- for-like ^(*)	206.2	48.1%	197.5	48.0%	8.6	4.4%
EBITDA before non-recurring expenses/stock option costs	53.1	12.2%	55.0	13.4%	(1.9)	(3.5%)
EBITDA like- for-like ^(*)	53.0	12.4%	52.3	12.7%	0.7	1.4%
EBIT	37.8	8.7%	40.3	9.8%	(2.5)	(6.3%)
Profit (loss) pertaining to the Group	31.1	7.1%	24.6	6.0%	6.5	26.3%

First-Half income statement

(€/million)	1st half 2017	% revenues	1st half 2016	% revenues	Change	Change %
Revenues	827.6	100.0%	771.9	100.0%	55.7	7.2%
Revenues like- for-like ^(*)	811.3		771.9		39.4	5.1%
Revenues at constant exchange rates ^(**)	814.7		773.1		41.7	5.4%
Net industrial margin	396.3	47.9%	381.8	49.5%	14.5	3.8%
Net industrial margin like- for-like ^(*)	395.8	48.8%	381.8	49.5%	14.0	3.7%
EBITDA before non-recurring expenses/stock option costs	105.3	12.7%	106.6	13.8%	(1.2)	(1.2%)
EBITDA like- for-like ^(*)	104.7	12.9%	103.9	13.5%	0.8	0.8%
EBIT	76.3	9.2%	79.8	10.3%	(3.5)	(4.4%)
Profit (loss) pertaining to the Group	56.2	6.8%	49.4	6.4%	6.7	13.6%

^(*) The like-for-like figures are shown net of the effects of the consolidation of NPE S.r.l. included in the scope of consolidation following the signing of the business lease agreement.

^(**) Constant currency figures are calculated excluding the impact of exchange differences and hedging carried out by the Group in the current period and the comparison period.

Statement of financial position

(€/million)	30.06.2017	30.06.2016	31.12.2016
Net working capital	289.4	233.3	253.7
Net working capital like- for- like ^(*)	271.9	233.3	249.1
Net capital employed	785.1	694.5	706.4
Net financial assets/(Net debt)	131.0	173.5	307.6
<i>of which:</i>			
- Net bank financial position	140.2	205.9	307.5
- Other financial receivables/(payables)	(9.2)	(32.4)	0.1
Net equity	916.1	868.0	1,014.0
Net working capital/Net revenues	15.2%	12.5%	13.8%
Net working capital/Net revenues like- for-like ^(*)	14.5%	12.5%	13.6%

^(*) The like-for-like figures are shown net of the effects of the consolidation of NPE S.r.l.

INTERIM REPORT ON OPERATIONS

PERFORMANCE REVIEW

The De'Longhi Group closed the first half of 2017 with good growth in revenues; the performance was characterized, as expected, by an increase in sales volumes including in the second quarter despite the difficulties encountered in a few core markets.

As mentioned in the report for the first quarter, the commercial initiatives, the attention paid to the points of sale, the intensification of R&D activities, the growing investments in advertising, as well as promotional campaigns, led to a recovery in organic growth.

Revenues, which increased 7.2% with respect to the first half of 2016, were driven by higher sales volumes, above all for coffee and comfort. Turnover also benefitted from the inclusion of NPE S.r.l. in the scope of consolidation, as well as the positive exchange effect which was, then, offset by a negative price effect.

Like-for-like, revenues would have risen 5.1% to €811.3 million.

At constant exchange rates revenues would have amounted to €814.7 million, an increase of 5.4% against the first half of 2016.

In terms of markets, revenues increased in Europe (+€30.1 million or 5.9%) thanks, above all, to the contribution of the North East where good results were reported in Poland, the Czech Republic and Russia (where the market was also boosted by a positive exchange effect); sales fell in the United Kingdom where demand slowed due to the negative impact of Brexit.

In the South East positive results were recorded in Germany, Spain, France and Switzerland which more than offset the decrease in sales recorded in Italy linked to weak consumption and different timing of a few promotions. Sales improved in the MEIA region, (+€1.6 million or +2.5%) thanks also the positive exchange effect, despite the decision to reduce the inventory held by a few important distributors; this strategy caused revenues to decline in a few markets in the first half of 2017 but will deliver positive results in coming quarters.

Good results were also posted in the APA region (+ €24.0 million or +12.0%), thanks specifically to higher sales in the United States/Canada, Australia, China and the positive exchange effect.

The breakdown of revenues by product line shows solid growth for coffee machines and comfort. The increase in revenues for coffee (+16.0%) was boosted by the good performance of externally manufactured fully automatic and Nespresso brand machines, thanks also to the distribution begun in the United States and Switzerland. Comfort benefitted from the good sell in of air conditioning products and a favorable end of the season for heating. As for the food preparation segment, double digit growth was posted in the sale of handblenders.

The net industrial margin rose €14.5 million against the first half of 2016 to €396.3 million and went from 49.5% to 47.9% of revenues. The result reflects a positive mix effect which, however, was not sufficient to offset the negative impact of the consolidation of NPE S.r.l. and the price adjustments made in a few markets (above all, Russia) in order to offset the strengthening of the local currency and be more competitive.

Like-for-like, the net industrial margin would have amounted to €395.8 million or 48.8% of revenues.

The increase in sales volumes recorded in the second quarter of the year is in line with the Group's strategy to concentrate on taking the steps needed to return to organic growth after a 2016 during which the focus was on protecting margins. The foundation needed for the anticipated growth was laid in the first half of 2017 and the markets were resupplied with products based on the sales trends expected to materialize in the second half. As a result of this activity higher supply chain costs were incurred which impacted margins in the first half.

The increase, in absolute terms, of the industrial margin did not translate into higher EBITDA as it was offset by higher promotional and advertising expenses (+ €8.5 million), R&D costs, the higher supply chain costs linked to the increased volumes transported and tariffs, as well as the costs connected to stock options plans (which amounted to €1.8 million in the half).

EBITDA before non-recurring and stock option costs amounted to €105.3 million (€106.6 million in the first half of 2016), and went from 13.8% of revenues to 12.7%. Like-for-like, EBITDA would have amounted to €106.5 million (compared to €106.6 million in the first half of 2016) or 13.1% of revenues.

EBIT amounted to €76.3 million in the first half of 2017 or 9.2% of revenues (€79.8 million or 10.3% of revenues in the first six months of 2016), after amortization and depreciation of €27.3 million, higher with respect to the first half of 2016 explained by the recent investments made in production which are now operating at capacity.

Financial expenses fell from the €13.2 million recorded in the first half of 2016 to €11.2 million in the first half of 2017 due, above all, to lower currency management costs and despite increased factoring compared to the same period of 2016.

Non-recurring net financial income includes the change in fair value of the earn-out payable as a result of the Braun Household acquisition, net of the impact of the early termination of the USPP and the relative hedge (previously recognized under net equity).

Profit pertaining to the Group amounted to €56.2 million in the first six months of 2017 (€49.4 million in the same period of 2016).

The net financial position came to a positive €131.0 million at 30 June 2017 (versus €173.5 million at 30 June 2016), €140.2 million of which relating to the net position with banks (€205.9 million at 30 June 2016). The twelve month comparison with the net position with banks shows a decrease of €65.7 million (in the prior twelve month period an improvement of €84.4 million was posted) linked to non-recurring cash-outs, the most important of which include the investment plan (the first tranche of the new investment in the production facility in Romania, the acquisition of Eversys, the purchase of a real estate complex in Treviso), payment of higher dividends and the consolidation of NPE S.r.l..

Normalized net cash flow came to €128.1 million in the last twelve months (€152.2 million in the previous twelve months).

Net working capital was €56.1 million higher at 30 June 2017 compared to 30 June 2016 due mainly to the consolidation of NPE S.r.l., the increase in sales (concentrated mainly in the second quarter of 2017), as well as the decision to increase inventories in a few markets in order to support the expected sales flow.

Global market conditions (Source: Bank of Italy / ECB)

The recovery of the world economy is stabilizing. Trade, supported by the investment trends in the majority of the world economies, gained momentum beginning year-end 2016. Volatility in the financial markets is low. Uncertainty about global economic policies is still high, however, which could negatively impact investors' valuations. The timing and details of the fiscal expansion announced at the beginning of the year in the United States have yet to be defined. Any protectionist measures could have repercussions for international trade.

After recording a generalized decline in the spring months, in the last week of June yields for government bonds of advanced economies rose again, albeit to a limited degree, as a result also of the increasing expectation that monetary conditions in the United States will be less accommodating and signs of greater economic activity in the Euro zone. In the latter the sovereign risk premiums decreased, including as a result of the outcome of the French elections. In the Euro zone the latest indications point in different directions: the signals of increased economic growth have intensified, while in the last few months inflation has been lower than expected. The ECB's Governing Council believes it will be necessary to maintain an extremely accommodative monetary policy in order to ensure the necessary level of inflation over the long term.

Based on recent estimates, GDP growth in Italy continued and should benefit from the favorable trend of the services sector, in line with business forecasts, and the recovery in manufacturing value added after the temporary decrease recorded at the beginning of the year. In the first part of the year exports continued to grow, though at a quicker pace in markets outside the European Union. Employment continued to increase in the first quarter. Inflation rose slightly due largely to the increase in regulated energy prices, but the underlying dynamic is still sluggish.

Significant events

The first half of 2017 was characterized by several events relating to new strategic and organizational initiatives, including the Eversys acquisition, the expansion of the R&D space and headquarters, the beginning of construction at the new Romanian plant, as well as the decision to take advantage of the current favorable market conditions to improve the financial structure.

On 13 June 2017 the acquisition of the Swiss Group Eversys, active in the design and integrated production of espresso coffee makers for professional users, was finalized. This transaction marks the entry of the De'Longhi Group in the professional espresso coffee machine market, with a focus on the fully automatic models. The company acquired, which brings with it a wealth of highly innovative technology and a management team with proven experience in the sector, aims at a leading position in the global market for professional coffee makers, also due to the technological, industrial and distribution synergies which De'Longhi is able to ensure.

Eversys coffee makers are characterized by the highly innovative approach and premium brand positioning. The company was able, in a few years, to gain an outstanding reputation and win clients among the main restaurant and luxury hotel chains, owing not only to the qualitative excellence of its machines, but also to the introduction of a modular structure which facilitates the maintenance process. The agreement calls for the purchase of 40% of Swiss Group Eversys, with the option to acquire the remaining 60% through a "put & call" mechanism to be exercised by June 30, 2021. The initial cash out reached around CHF 21 million which includes consideration of CHF 17.4 million and a shareholder loan for the remainder to finance the investments envisaged in the business plan.

Work on strengthening the production platform in Romania continued in the first half with the first tranche of investments made in the construction of a new manufacturing facility.

At the beginning of June, as part of the development plan for its businesses, the Group acquired its headquarters in Treviso. The investment plan calls for the construction of a new building in the same location in order to increase the space that is currently available. The purchase, which qualified as a related party transaction, is subject to Consob Regulation n. 17221/2010 and the provisions of the De'Longhi Group's "Procedures for Related Party Transactions" insofar as the seller is controlled by De'Longhi S.p.A.'s largest shareholder. The price of the transaction, €16.4 million, was based on the appraisals of independent experts and the favorable opinion of De'Longhi S.p.A.'s Risk and Control Committee.

As part of its financial strategy and in order to sustain current operations, as well as the 2017-2018 investment plan, the Group decided to take advantage of particularly favorable market conditions and complete a few financial transactions which included:

- (i) the issue and placement of unsecured, non-convertible notes with US institutional investors (the "US Private Placement") for an amount of Euro 150 million. The issue, which was subscribed by Pricoa Capital Group, part of the US group Prudential Financial Inc., was also completed in order to redeem the outstanding USD 85 million USPP, issued in 2012, as the economic conditions were no longer competitive. The securities were issued in a single tranche, have a duration of 10 years and expire in June 2027. This issue is part of a private shelf facility based on which Pricoa group companies can subscribe bonds with a 3-year duration for up to USD 300 million;
- (ii) an amendment to the securitization agreement which resulted in a significant drop in factoring costs and a simplification of the related operating procedures;
- (iii) the signing, in June and July, of two 4/5 year fixed rate loans (thanks to hedges) for a total of €195 million with two premiere lenders.

In the first half of 2017 marketing and communication activities continued with a view to supporting the Group's three main brands and strengthening the commercial presence in stores and online.

In many countries both traditional advertising campaigns and digital communication tools were used to support and strengthen the position of the De'Longhi brand.

The new *Primadonna EVO* was launched in order to expand the selection of fully automatic coffee machines and strengthen the range of premium products.

As for Kenwood, two new food preparation machines were launched in the first part of 2017, the new *Chef* and *Cooking Chef*.

With respect to Braun, the new ironing systems *TexStyle 7Pro* and *TexStyle 9* were launched in the first months of the year in order to strengthen the brand's presence in the iron segment. Sales in the half for handblenders were driven by the new models launched in 2016.

Investments in distribution networks continued, namely in Mexico, where direct distribution is expected to be up and running in the second half of 2017.

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	1st half 2017	% revenues	1st half 2016	% revenues
Revenues	827.6	100.0%	771.9	100.0%
<i>Change 2017/2016</i>			55.7	7.2%
Materials consumed & other production costs (production services and payroll costs)	(431.4)	(52.1%)	(390.1)	(50.5%)
Net industrial margin	396.3	47.9%	381.8	49.5%
Services and other operating expenses	(201.5)	(24.3%)	(190.9)	(24.7%)
Payroll (non-production)	(89.5)	(10.8%)	(84.3)	(10.9%)
EBITDA before non-recurring expenses / stock option costs	105.3	12.7%	106.6	13.8%
<i>Change 2017/2016</i>			(1.2)	(1.2%)
Other non-recurring expenses/stock option costs	(1.8)	(0.2%)	(2.7)	(0.4%)
EBITDA	103.5	12.5%	103.9	13.5%
Amortization	(27.3)	(3.3%)	(24.1)	(3.1%)
EBIT	76.3	9.2%	79.8	10.3%
<i>Change 2017/2016</i>			(3.5)	(4.4%)
Financial income (expenses)	(11.2)	(1.4%)	(13.2)	(1.7%)
Non-recurring financial income (expenses)	9.9	1.2%	-	0.0%
Profit (loss) before taxes	74.9	9.0%	66.6	8.6%
Income taxes	(18.7)	(2.3%)	(16.9)	(2.2%)
Profit (loss) after taxes	56.2	6.8%	49.6	6.4%
Profit (loss) pertaining to minority interests	-	0.0%	0.2	0.0%
Profit (loss) pertaining to the Group	56.2	6.8%	49.4	6.4%

The net industrial margin reported in the reclassified income statement differs by Euro 80.3 million in the first half 2017 (Euro 67.1 million in the first half 2016) from the consolidated income statement; this is because, in order to represent period performance better, production-related payroll and service costs have been reclassified from payroll and services respectively. The nominal costs of the stock option plan, included in payroll costs, are shown separately in the income statement as they were not included in the comparison period.

Net revenues amounted to €827.6 million in the first half of 2017, an increase of 7.2% with respect to the first half of 2016 (€771.9 million).

Like-for-like, revenues would have amounted to €811.3 million, an increase of 5.1%.

Revenues benefitted from a positive exchange effect of €14.1 million; at constant exchange rates, therefore, growth would have amounted to €41.7 million (+5.4%), driven by an increase in volumes and a favorable mix, which almost entirely offset the negative price effect in a few key markets (primarily in Russia and Ukraine).

The net industrial margin rose €14.5 million against the first half of 2016 to €396.3 million and went from 49.5% to 47.9% of revenues. The decline reflects, in addition to the consolidation of NPE S.r.l., the increase in costs and price adjustments made in a few markets.

Like-for-like, the net industrial margin would have amounted to €395.8 million or 48.8% of revenues.

EBITDA before non-recurring costs/stock option costs came to €105.3 million or 12.7% of revenues (€106.6 million or 13.8% of revenues in the first half of 2016). The decline is linked to non-recurring items which skews the comparison between the two periods, mainly the change in the scope of consolidation connected to the acquisition of NPE S.r.l.

Net of the change in the scope of consolidation, EBITDA would have come to €106.5 million (13.1% of revenues) in the first half of 2017, largely in line with the same period of the prior year, despite larger investments in promotional campaigns (€8.5 million) and R&D, as well as higher supply chain costs due to increased procurement in the first half and higher tariffs.

EBIT amounted to €76.3 million in the first six months of 2017 or 9.2% of revenues (€79.8 million or 10.3% of revenues in the same period of 2016), after amortization and depreciation of €27.3 million, higher with respect to the first half of 2016 (€24.1 million) explained by the investments made which are now operating at capacity.

Financial expenses fell by €2.0 million from the €13.2 million recorded in the first half of 2016 to €11.2 million in the first half of 2017 due, above all, to lower currency management costs and more efficient securitization of receivables. Non-recurring financial income includes the change in fair value of the earn-out payable as a result of the Braun Household acquisition, net of the impact of the early termination of the USPP and the relative hedge (previously recognized under net equity).

Profit pertaining to the Group amounted to €56.2 million in the first six months of 2017 (€49.4 million in the same period of 2016) after tax of €18.7 million.

Operating segment disclosures

The De'Longhi Group has identified three operating segments which coincide with the Group's three main business regions: Europe (North East and South West), MEIA (Middle East, India and Africa) and APA (Asia, Pacific, Americas).

Each segment is responsible for all aspects of the Group's brands and services different markets.

This breakdown is in line with the tools used by Group management to run operations, as well as evaluate the company's performance and make strategic decisions.

The results by operating segment can be found in the Explanatory Notes.

Markets

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

(€/million)	1st half 2017	% revenues	1st half 2016	% revenues	Change	Change %
North East Europe	192.6	23.3%	173.9	22.5%	18.7	10.7%
South West Europe	347.1	41.9%	335.7	43.5%	11.5	3.4%
EUROPE	539.7	65.2%	509.6	66.0%	30.1	5.9%
MEIA (Middle East/India/Africa)	64.2	7.8%	62.6	8.1%	1.6	2.5%
United States and Canada	86.4	10.4%	72.1	9.3%	14.4	20.0%
Australia and New Zealand	52.5	6.3%	48.2	6.2%	4.3	8.9%
Japan	21.9	2.6%	20.3	2.6%	1.6	7.8%
Other countries area APA	62.9	7.6%	59.1	7.7%	3.7	6.3%
APA (Asia/Pacific/Americas)	223.7	27.0%	199.6	25.9%	24.0	12.0%
Total revenues	827.6	100.0%	771.9	100.0%	55.7	7.2%

All commercial areas posted a positive performance in the first half of 2017, albeit with different dynamics.

Revenues in Europe (€539.7 million) were 5.9% higher than in the first half of 2016; in the first half of 2017 sales in the North East were up compared to the prior year (+10.7%) thanks to the good performances posted in Russia, Poland and the Czech Republic. In the second quarter of 2017 significant growth in volumes was recorded in Russia where price adjustments were made in order to be more competitive.

Sales were down in the United Kingdom due to the unfavorable market conditions as the first negative signals linked to Brexit materialized. The drop in consumption in the main product categories exceeded expectations. De'Longhi and Braun brand products reported organic growth and improved market shares. As for Kenwood brand products, further steps were taken to become more competitive which resulted recently in the recovery of leadership in the United Kingdom in all the main product categories.

In the South West sales increased by 3.4% compared to the first six months of 2016 thanks to the positive contribution of the main markets (Germany, France, Switzerland and the Iberian Peninsula) which offset the negative performance reported in Italy linked to weak consumption and different timing of a few promotions.

A positive reversal in the trend, compared to prior quarters, was reported in the MEIA region where in the second quarter revenues increased, also as a result of the positive exchange effect. A few markets in this region continue to operate in what are still uncertain economic situations and despite the decision to reduce the inventory held by a few important distributors which penalized the first half of 2017, but will most certainly deliver positive results in coming quarters.

Positive results were posted in the APA region (+ €24.0 million or +12.0%), above all in the United States/Canada, Australia, China thanks also to the positive exchange effect. Growth in the United States was driven by the successful launch of the complete range of Nespresso brand products, as well as the expanded distribution of Braun products and to the good performance of portable air conditioners. A good performance was reported in Australia where leadership in coffee machines was confirmed and the market share for food preparation products continues to rise. Growth in China was fueled by the good performance of all the brands, as well as good growth in online sales.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	30.06.2017	30.06.2016	31.12.2016	Change 30.06.17 – 30.06.16	Change 30.06.17 – 31.12.16
- Intangible assets	326.9	321.6	327.8	5.3	(0.9)
- Property, plant and equipment	216.9	193.2	196.5	23.7	20.4
- Financial assets	27.1	8.5	8.0	18.6	19.1
- Deferred tax assets	43.4	44.5	38.4	(1.1)	5.0
Non-current assets	614.2	567.7	570.7	46.5	43.5
- Inventories	416.3	381.9	320.8	34.5	95.6
- Trade receivables	256.6	214.9	372.8	41.7	(116.2)
- Trade payables	(327.2)	(318.2)	(365.3)	(9.0)	38.2
- Other payables (net of receivables)	(56.5)	(45.3)	(74.5)	(11.2)	18.0
Net working capital	289.4	233.3	253.7	56.1	35.6
Total non-current liabilities and provisions	(118.4)	(106.5)	(118.0)	(11.9)	(0.4)
Net capital employed	785.1	694.5	706.4	90.6	78.7
(Net financial assets) (*)	(131.0)	(173.5)	(307.6)	42.5	176.7
Total net equity	916.1	868.0	1,014.0	48.2	(97.9)
Total net debt and equity	785.1	694.5	706.4	90.6	78.7

(*)The net financial position at 30 June 2017 includes €9.2 million in net financial liabilities (€32.4 million at 30 June 2016) relating to the fair value of derivatives and the financial debt connected to business combinations and pension funds.

In the first half of 2017, as part of the development plan for its businesses, the Group made a few important investments (already described in the first part of this report) which included mainly the acquisition of Eversys, the purchase of the real estate complex in Treviso and the first tranche of the new investments in production at the Romanian plant.

Net working capital amounted to €289.4 million at 30 June 2017, up against the €233.3 million reported at 30 June 2016 due mainly to the consolidation of NPE S.r.l., the increase in sales (concentrated mainly in the second quarter of 2017), as well as the decision to increase inventories in a few markets in order to support the expected sales flow in the second half of the year. Like-for-like, working capital would have come to €271.9 million.

Details of the net financial position are as follows:

(€/million)	30.06.2017	30.06.2016	31.12.2016	Change 30.06.17 – 30.06.16	Change 30.06.17 – 31.12.16
Cash and cash equivalents	446.5	335.4	461.4	111.1	(14.9)
Other financial receivables	10.2	10.7	25.7	(0.5)	(15.5)
Current financial debt	(97.9)	(60.7)	(108.3)	(37.2)	10.4
Net current financial position	358.8	285.4	378.8	73.4	(20.0)
Non-current financial debt	(227.8)	(112.0)	(71.2)	(115.8)	(156.6)
Total net financial position	131.0	173.5	307.6	(42.5)	(176.7)
<i>of which:</i>					
- Position with banks and other financial payables	140.2	205.9	307.5	(65.7)	(167.4)
- Financial assets/(liabilities) other than bank debt (fair value of derivatives, financial debt related to business combinations and pension funds)	(9.2)	(32.4)	0.1	23.2	(9.3)

The net financial position came to a positive €131.0 million at 30 June 2017 (versus €307.6 million at 31 December 2016 and €173.5 million at 30 June 2016).

There was a noticeable increase in non-current financial debt at 30 June 2017 as a result of the financing transactions described above.

The net financial position reflects a few specific financial items, including primarily the fair value measurement of derivatives and the residual debt owed on business combinations which show a negative balance of €9.2 million at 30 June 2017 (negative for €32.4 million at 30 June 2016 and positive for €0.1 million at 31 December 2016).

Net of these items, the net position with banks reached €140.2 million at 30 June 2017 after the negative cash flow recorded in the half of €167.4 million (negative €4.2 million in the first six months of 2016), explained primarily by the investment plan described above, the higher dividends paid and the negative cash flow pertaining to NPE S.r.l.. Excluding these items, cash flow would have been positive for €34.6 million in the half (versus €84.4 million in the first half of 2016).

The twelve month comparison with the net financial position at 30 June 2016 reflects the same non-recurring flows. Cash absorption reached €65.7 million (compared to positive cash flow of €84.4 million in the previous 12-month period); normalized cash flow would have amounted to €128.1 million (€152.2 million in the previous 12-month period).

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

(€/million)	30.06.2017 (6 months)	30.06.2016 (6 months)	31.12.2016 (12 months)
Cash flow by current operations and changes in working capital	38.9	100.5	243.0
Cash flow by ordinary investment activities	(31.3)	(21.5)	(55.1)
Cash flow by ordinary operating activities	7.6	79.0	187.9
Cash flow by non recurring investment activities	(44.1)	-	-
Cash flow by operating activities	(36.5)	79.0	187.9
Dividends paid	(119.6)	(65.8)	(65.8)
Cash flow by changes in cash flow hedge reserves	(8.1)	(11.2)	4.2
Cash flow by other changes in net equity	(12.5)	(17.4)	(7.5)
Cash flow absorbed by changes in net equity	(140.1)	(94.4)	(69.1)
Cash flow for the period	(176.7)	(15.4)	118.8
Opening net financial position	307.6	188.9	188.9
Closing net financial position	131.0	173.5	307.6

Cash flow from operations in the first half of 2017 came to a positive €7.6 million (versus a positive €79.0 million in the first half of 2016) and reflects a few non-recurring items including the cash absorbed by the NPE S.r.l., the first tranche of investments at the production facility in Romania and the increase in net working capital described above.

Net cash flow from operations was impacted by €44.1 million in non-recurring investments relating to the purchase of non-controlling interests and the property in Treviso.

First-half cash flows were also negatively impacted by changes in net equity: the payment of €119.6 million in dividends (versus €65.8 million in the first half of 2016), the negative impact of the fair value measurement of hedging instruments which came to €8.1 million and the negative exchange differences of €12.5 million resulted in a negative net change of €140.1 million (versus €94.4 million in the first half of 2016).

Human resources

The De'Longhi Group had 8,531 employees at 30 June 2017, detailed as follows:

	30.06.2017	31.12.2016	30.06.2016
Blue collar	5,391	4,210	3,683
White collar	3,037	2,974	2,829
Senior managers	103	102	93
Total	8,531	7,286	6,605
Average employees 1st half 2017	8,147	7,163	6,598

The Group's workforce increased by 984 employees in the first six months of the year (and by 1,549 employees in the twelve-month period) due mainly to the change in the scope of consolidation and the hiring of blue collar workers at production facilities in China and Romania to replace workers from temporary agencies.

Alternative performance indicators

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

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

- Net industrial margin and EBITDA: the Group uses these measures as financial targets in internal presentations (business plans) and in external presentations (to analysts and investors), since they are a useful way of measuring operating performance by the Group and its individual divisions besides EBIT.

Net industrial margin is calculated as total revenues minus the cost of materials consumed and of production-related services and payroll.

EBITDA is an intermediate measure that derives from EBIT after adding back depreciation, amortization and impairment of property, plant and equipment and intangible assets. EBITDA is also presented net of non-recurring items, including the stock option plan costs, which are reported separately on the face of the income statement.

- Net working capital: this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, current tax liabilities and other payables.

- Net 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 later in this report.

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.

Principal risks and uncertainties facing the Group

Reference should be made to the Group Annual Report at 31 December 2016.

Corporate governance and ownership structure

Reference should be made to the Group Annual Report at 31 December 2016.

Reconciliation of net equity and profit (loss) for the period

Below is a brief reconciliation between the net equity and profit reported by the parent company De'Longhi S.p.A. and the figures shown in the consolidated financial statements:

(€/thousands)	Net equity 30.06.2017	Profit (loss) after taxes 1st half 2017
De'Longhi S.p.A. financial statements	327,771	45,715
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	617,717	20,340
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	21,260	(1,203)
Elimination of intercompany profits	(48,710)	(8,981)
Other adjustments	(1,922)	289
Consolidated financial statements	916,116	56,160
Minority interests	-	-
Group portion	916,116	56,160

Related party transactions

Related party transactions fall within the normal course of business by Group companies.
Information on related party transactions is summarized in Appendix 3 to the Explanatory notes.

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

As part of its financial strategy and in order to sustain current operations as well as the 2017-2018 investment plan, the Group decided to take advantage of particularly favorable market conditions and to lower the current cost of debt by taking out two loans, one of which was disbursed in July 2017 and, therefore, is not reflected in this half-year financial report.

There have been no other significant events since the end of the reporting period other than what is described above.

Outlook

The first half of 2017 stood out for the return to organic growth attributable to the increased investments in advertising, research and development, as well as the strengthening of a few commercial and business support structures.

The Group confirms its growth and profitability targets for 2017.

Treviso, 28 July 2017

*For the Board of Directors
Vice Chairman and Chief Executive Officer
Fabio de' Longhi*

CONSOLIDATED INCOME STATEMENT

(€/000)	Notes	1st half 2017	of which non-recurring	1st half 2016	of which non-recurring
Revenues from sales and services	1	814,902		761,988	
Other revenues	1	12,734		9,908	
Total consolidated revenues		827,636		771,896	
Raw and ancillary materials, consumables and goods	2	(457,543)		(380,235)	
Change in inventories of finished products and work in progress	3	93,103		50,703	
Change in inventories of raw and ancillary materials, consumables and goods	3	13,430		6,522	
Materials consumed		(351,010)		(323,010)	
Payroll costs	4-8	(129,396)		(117,488)	(2,419)
Services and other operating expenses	5-8	(241,987)		(217,973)	(88)
Provisions	6-8	(1,692)		(9,573)	(214)
Amortization	7	(27,268)		(24,070)	
EBIT		76,283		79,782	(2,721)
Financial income (expenses)	9	(11,248)		(13,232)	
Non recurring Financial income (expenses)	10	9,858		-	
PROFIT (LOSS) BEFORE TAXES		74,893		66,550	
Income taxes	11	(18,733)		(16,908)	
CONSOLIDATED PROFIT (LOSS) AFTER TAXES		56,160		49,642	
Profit (loss) pertaining to minority interests	28	-		203	
PROFIT (LOSS) PERTAINING TO THE GROUP		56,160		49,439	
EARNINGS PER SHARE (in Euro)	27				
- basic		€ 0.38		€ 0.33	
- diluted		€ 0.37		€ 0.33	

Appendix 3 reports the effect of related party transactions on the income statement, as required by CONSOB Resolution 15519 of 27 July 2006.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)	1st half 2017	1st half 2016
Consolidated profit (loss) after taxes	56,160	49,642
- Change in fair value of cash flow hedges and financial assets available for sale	(8,053)	(11,581)
- Tax effect on change in fair value of cash flow hedges and financial assets available for sale	1,344	2,562
- Differences from translating foreign companies' financial statements into Euro	(24,323)	(12,453)
Total other comprehensive income will subsequently reclassified to profit (loss) for the year	(31,032)	(21,472)
Total other comprehensive income will not subsequently reclassified to profit (loss) for the year	-	-
Other components of comprehensive income	(31,032)	(21,472)
Total comprehensive income	25,128	28,170
Total comprehensive income attributable to:		
Owners of the parent	25,128	27,967
Minority interests	-	203

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (€/000)	Notes	30.06.2017	31.12.2016
NON-CURRENT ASSETS			
INTANGIBLE ASSETS		326,871	327,792
- Goodwill	12	97,080	97,080
- Other intangible assets	13	229,791	230,712
PROPERTY, PLANT AND EQUIPMENT		215,551	195,095
- Land, property, plant and machinery	14	124,157	110,723
- Other tangible assets	15	91,394	84,372
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		30,501	12,720
- Equity investments	16	23,719	4,739
- Receivables	17	3,375	3,283
- Other non-current financial assets	18	3,407	4,698
DEFERRED TAX ASSETS	19	43,371	38,379
TOTAL NON-CURRENT ASSETS		616,294	573,986
CURRENT ASSETS			
INVENTORIES	20	416,348	320,786
TRADE RECEIVABLES	21	256,625	372,777
CURRENT TAX ASSETS	22	10,839	9,787
OTHER RECEIVABLES	23	39,775	32,328
CURRENT FINANCIAL RECEIVABLES AND ASSETS	24	10,194	25,676
CASH AND CASH EQUIVALENTS	25	446,493	461,430
TOTAL CURRENT ASSETS		1,180,274	1,222,784
NON-CURRENT ASSETS HELD FOR SALE	26	1,323	1,389
TOTAL ASSETS		1,797,891	1,798,159
NET EQUITY AND LIABILITIES			
NET EQUITY			
GROUP PORTION OF NET EQUITY		916,112	1,010,627
- Share capital	27	224,250	224,250
- Reserves	28	635,702	618,966
- Profit (loss) pertaining to the Group		56,160	167,411
MINORITY INTERESTS	28	-	3,420
TOTAL NET EQUITY		916,112	1,014,047
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES		231,199	75,883
- Bank loans and borrowings (long-term portion)	29	75,840	-
- Other financial payables (long-term portion)	30	155,359	75,883
DEFERRED TAX LIABILITIES	19	28,297	27,576
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		90,148	90,439
- Employee benefits	31	45,782	42,707
- Other provisions	32	44,366	47,732
TOTAL NON-CURRENT LIABILITIES		349,644	193,898
CURRENT LIABILITIES			
TRADE PAYABLES		327,152	365,315
FINANCIAL PAYABLES		97,904	108,279
- Bank loans and borrowings (short-term portion)	29	50,650	29,376
- Other financial payables (short-term portion)	30	47,254	78,903
CURRENT TAX LIABILITIES	33	37,249	29,528
OTHER PAYABLES	34	69,830	87,092
TOTAL CURRENT LIABILITIES		532,135	590,214
TOTAL NET EQUITY AND LIABILITIES		1,797,891	1,798,159

Appendix 3 reports the effect of related party transactions on the statement of financial position, as required by CONSOB Resolution 15519 of 27 July 2006.

CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	1st half 2017	1st half 2016
Profit (loss) pertaining to the Group		56,160	49,439
Income taxes for the period		18,733	16,908
Amortization		27,268	24,070
Net change in provisions and other non-cash items		(2,521)	3,761
Cash flow generated by current operations (A)		99,640	94,178
Change in assets and liabilities:			
Trade receivables		114,820	155,172
Inventories		(106,531)	(57,227)
Trade payables		(28,560)	(58,636)
Other changes in net working capital		(23,871)	(20,360)
Payment of income taxes		(16,620)	(12,645)
Cash flow generated (absorbed) by movements in working capital (B)		(60,762)	6,304
Cash flow generated by current operations and movements in working capital (A+B)		38,878	100,482
Investment activities:			
Investments in intangible assets		(6,386)	(4,978)
Other cash flows for intangible assets		16	(50)
Investments in property, plant and equipment		(44,645)	(17,678)
Other cash flows for property, plant and equipment		(47)	878
Net investments in equity investments and in minority interest		(20,291)	341
Cash flow absorbed by investment activities (C)		(71,353)	(21,487)
Dividends paid		(119,600)	(65,780)
Change in currency translation reserve		(14,344)	(15,970)
Increase (decrease) in minority interests		-	(91)
New loans		245,000	-
Payment of interests on loans		(2,375)	(1,620)
Repayment of loans and other net changes in sources of finance		(91,143)	(18,035)
Cash flow generated (absorbed) by changes in net equity and by financing activities (D)		17,538	(101,496)
Cash flow for the period (A+B+C+D)		(14,937)	(22,501)
Opening cash and cash equivalents	25	461,430	357,910
Increase (decrease) in cash and cash equivalents (A+B+C+D)		(14,937)	(22,501)
Closing cash and cash equivalents	25	446,493	335,409

The Statement of Cash Flows at 30.06.2016 was restated in order to show net working capital net of the effect of the translation of intercompany balances expressed in currencies other than the Euro included in the cash flows generated by changes in net equity.

Appendix 2 presents the statement of cash flows in terms of net financial position.

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	EXTRAORDINARY RESERVES	FAIR VALUE AND CASH FLOW HEDGE RESERVES	STOCK OPTION RESERVES	CURRENCY TRANSLATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) PERTAINING TO GROUP	GROUP PORTION OF NET EQUITY	MINORITY INTERESTS	TOTAL NET EQUITY
Balance at 31 December 2015	224,250	162	15,573	21,733	4,793	-	45,652	441,187	149,533	902,883	2,973	905,856
Allocation of 2015 result as per AGM resolution of 14 April 2016												
- distribution of dividends				(1,791)				(63,989)		(65,780)		(65,780)
- allocation to reserves			3,368					146,165	(149,533)	-		-
Other changes in minority interests											(293)	(293)
Movements from transactions with shareholders	-	-	3,368	(1,791)	-	-	-	82,176	(149,533)	(65,780)	(293)	(66,073)
Profit (loss) after taxes										-		-
Other components of comprehensive income					(9,019)		(12,453)		49,439	27,967	203	28,170
Comprehensive income (loss)	-	-	-	-	(9,019)	-	(12,453)	-	49,439	27,967	203	28,170
Balance at 30 June 2016	224,250	162	18,941	19,942	(4,226)	-	33,199	523,363	49,439	865,070	2,883	867,953
Balance at 31 December 2016	224,250	162	18,941	19,942	8,642	366	48,798	522,115	167,411	1,010,627	3,420	1,014,047
Allocation of 2016 result as per AGM resolution of 11 April 2017												
- distribution of dividends				(121)				(119,479)		(119,600)		(119,600)
- allocation to reserves			6,288					161,123	(167,411)	-		-
Fair Value stock option						1,795				1,795		1,795
Other changes in minority interests								(1,838)		(1,838)	(3,420)	(5,258)
Movements from transactions with shareholders	-	-	6,288	(121)	-	1,795	-	39,806	(167,411)	(119,643)	(3,420)	(123,063)
Profit (loss) after taxes									56,160	56,160		56,160
Other components of comprehensive income					(6,709)		(24,323)	-		(31,032)		(31,032)
Comprehensive income (loss)	-	-	-	-	(6,709)	-	(24,323)	-	56,160	25,128	-	25,128
Balance at 30 June 2017	224,250	162	25,229	19,821	1,933	2,161	24,475	561,921	56,160	916,112	-	916,112

EXPLANATORY NOTES

GROUP BUSINESS

The De'Longhi Group is headed up by the parent De'Longhi S.p.A., a company with its registered office in Treviso whose shares are listed on the Italian stock exchange run by Borsa Italiana.

The Group is active in the production and distribution of coffee machines, small appliances for food preparation and cooking, domestic cleaning and ironing, air conditioning and portable heaters; the companies included in the scope of consolidation are listed in Appendix 1 to the Explanatory notes.

ACCOUNTING STANDARDS

The half-year financial report includes the condensed consolidated financial statements, which have been prepared in accordance with IFRS (International Financial Reporting Standards) and particularly with the recommendations of IAS 34 – *Interim Financial Reporting*, which requires interim financial statements to be prepared in a condensed format with fewer disclosures than in annual financial statements.

The half-year condensed consolidated financial statements at 30 June 2017 comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows and the statement of changes in net equity, all of which have been prepared in a full format that is comparable with the annual consolidated financial statements.

The explanatory notes are presented in a condensed format and, therefore, are limited to the information needed by users to understand the financial statements for the first half of 2017.

These financial statements are presented in thousands of Euro, unless otherwise indicated.

The half-year condensed consolidated financial statements have used the same consolidation procedures and accounting policies as those described in the annual report, to which the reader should refer.

The same accounting policies as those described in the annual report, to which the reader should refer, were used.

The publication of the half-year condensed consolidated financial statements for the period ended 30 June 2017 was authorized by the Board of Directors on 28 July 2017.

International financial reporting standards and/or interpretations endorsed by the European Union but not yet applicable

The Commission Regulation (EU) n. 2016/1905 of 22 September 2016 adopts IFRS 15 - *Revenue from Contracts with Customers*.

The new standard contains a 5-point guide relating to the treatment of all customer contracts with the exception of contracts relating to leasing, insurance, financial instruments and non-monetary exchanges.

The five points relate to: identifying the contract, identifying performance obligations, determining the transaction price, allocating the transaction price to performance obligations, recognition of revenue.

The standard establishes that the revenue must be recognized when the obligation is performed, namely when the promised good (or service) is transferred to the customer.

The consideration in the contract with the customer may include fixed, variable or both amounts. In the case of variable components, the consideration must be estimated correctly based on reasonably available information (historical, current and forecasts).

The amounts owed for royalties are an exception as they may be recognized only after the underlying sale or usage has been completed.

The standard provides specific indications with respect to the allocation of the transaction price between the performance obligations, amendment of the transaction price and the definition of incremental contract costs.

The operating guide, which constitutes an integral part of the standard, provides great detail about various topics including sales with the right of return, consignment agreements, and deferred delivery sale agreements.

With Regulation 2016/2067 of 22 November 2016 the European Commission adopted IFRS 9 – *Financial Instruments* which introduces new requirements for the classification and measurement of financial assets previously reported based on IAS 39.

The new standard divides all financial assets into two classifications, namely those measured at amortized cost and those measured at fair value.

Financial assets that satisfy two conditions are measured at amortized cost: the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets must be measured at fair value through profit or loss or through other comprehensive income.

The changes introduced in the above mentioned regulations will be applicable beginning on or after 1 January 2018.

The Group did not apply any new standards, interpretations or amendments endorsed, but not yet applicable, in advance; application of these revised standards is not, however, expected to have a material impact on the Group's income statement or net equity.

International accounting standards and/or interpretations not yet endorsed by the European Union

International Standard Board (IASB) published the new standard IFRS 16 - *Leases* which has yet to be endorsed by the European Union which is applicable beginning on or after 1 January 2019.

The new standard eliminates the distinction between financial and operating leases for lessors and establishes a single category.

As for the lessee, the standard does not introduce significant changes, leaving the distinction between the two categories and the relative accounting treatment unchanged.

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Based on IFRS 16, the lessor recognizes a right-of-use asset, treated similarly to other goods and amortized, and an interest-bearing liability for leasing.

The liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, if that can be readily determined, or at the borrowing rate.

Leases with a term of less than twelve months without purchase options and leases when the underlying asset has a low value may be recognized as an expense over the term of the lease or based on another systematic basis.

The new principle was not adopted in advance by the Group.

Estimates

These half-year financial statements, prepared in accordance with IFRS, contain estimates and assumptions made by the Group relating to assets and liabilities, costs, revenues and contingent liabilities at the reporting date. These estimates are based on past experience and assumptions considered to be reasonable and realistic, based on the information available at the time of making the estimate.

The assumptions relating to these estimates are periodically reviewed and the related effects reflected in the income statement in the same period: actual results could therefore differ from these estimates.

For more information about the principal assumptions used by the Group see the section "Estimates and Assumptions" found in the notes to the consolidated financial statements at 31 December 2016.

The more complex valuations, including relative to the loss in value of non-current assets, are typically completed when the annual report is being prepared as all the necessary information is available, with the exception of any instances when impairment indicators evidence loss in value.

Similarly, the actuarial valuations needed to determine the provisions relative to employee benefits are normally carried out at year-end, when the annual report is prepared, with the exception of when a plan is amended or liquidated.

Translation of balances in foreign currencies

The following exchange rates have been used:

Currency		30.06.2017		30.06.2016		Change %		31.12.2016
		Period-end Exchange rate	Average Exchange rate	Period-end Exchange rate	Average Exchange rate	Period- end Exchange rate	Average Exchange rate	Period-end Exchange rate
US dollar	USD	1.14120	1.08252	1.11020	1.11553	2.8%	(3.0%)	1.0541
British pound	GBP	0.87933	0.86006	0.82650	0.77849	6.4%	10.5%	0.85618
Hong Kong dollar	HKD	8.90680	8.41587	8.61350	8.66540	3.4%	(2.9%)	8.1751
Chinese renminbi (yuan)	CNY	7.73850	7.44174	7.37550	7.29366	4.9%	2.0%	7.3202
Australian dollar	AUD	1.48510	1.43559	1.49290	1.52206	(0.5%)	(5.7%)	1.4596
Canadian dollar	CAD	1.47850	1.44449	1.43840	1.48539	2.8%	(2.8%)	1.4188
Japanese yen	JPY	127.75000	121.65859	114.05000	124.50150	12.0%	(2.3%)	123.4
Malaysian ringgit	MYR	4.89860	4.74994	4.43010	4.57476	10.6%	3.8%	4.7287
New Zealand dollar	NZD	1.55540	1.52917	1.56160	1.64848	(0.4%)	(7.2%)	1.5158
Polish zloty	PLN	4.22590	4.26846	4.43620	4.36861	(4.7%)	(2.3%)	4.4103
South Africa rand	ZAR	14.92000	14.30999	16.44610	17.20373	(9.3%)	(16.8%)	14.457
Singapore dollar	SGD	1.57100	1.52003	1.49570	1.54018	5.0%	(1.3%)	1.5234
Russian rouble	RUB	67.54490	62.73488	71.52000	78.41223	(5.6%)	(20.0%)	64.3
Turkish lira	TRY	4.01340	3.93792	3.20600	3.25875	25.2%	20.8%	3.70720
Czech koruna	CZK	26.19700	26.78705	27.13100	27.03945	(3.4%)	(0.9%)	27.021
Swiss franc	CHF	1.09300	1.07640	1.08670	1.09601	0.6%	(1.8%)	1.07390
Brazilian real	BRL	3.76000	3.43929	3.58980	4.13492	4.7%	(16.8%)	3.4305
Croatian kuna	HRK	7.41030	7.44883	7.52810	7.56099	(1.6%)	(1.5%)	7.5597
Ukrainian hryvnia	UAH	29.74370	28.96553	27.56380	28.40308	7.9%	2.0%	28.7386
Romanian Leu	RON	4.55230	4.53637	4.52340	4.49559	0.6%	0.9%	4.539
South Korean won	KRW	1,304.56000	1,235.58462	1,278.48000	1,318.80833	2.0%	(6.3%)	1,269.36
Chilean peso	CLP	758.21400	714.13062	735.50000	769.26150	3.1%	(7.2%)	704.945
Mexican peso	MXN	20.58390	21.02797	20.63470	20.15993	(0.2%)	4.3%	21.7719
Swedish krona	SEK	9.63980	9.59544	9.42420	9.30152	2.3%	3.2%	9.5525

Source: Bank of Italy

CHANGE IN THE SCOPE OF CONSOLIDATION AND OTHER SIGNIFICANT EVENTS

The first half of 2017 was characterized by a few events linked to the Group's development strategy.

On 12 April 2017, the De'Longhi Group reached an agreement, which was finalized on 13 June 2017, for the acquisition of 40% of the Swiss Group Eversys, with the option to acquire the remaining 60% through a "put & call" mechanism to be exercised by June 30, 2021 (but not earlier than 2 years following the closing date).

This transaction marks the entry of the De'Longhi Group in the professional espresso coffee machine market, with a focus on the fully automatic models.

The initial cash-out for the 40% interest and the shareholder loan amounted to approximately CHF 21 million. See note 16. *Equity Investments* for more information.

At the beginning of June, the Group acquired the property where its Treviso headquarters are located. The investment plan calls for the construction of new headquarters in the same location in order to increase the space that is currently available. See note 14. *Land, property, plant and machinery* for more information.

On 14 June 2017, the parent company De'Longhi S.p.A. finalized the issue and placement of unsecured, non-convertible notes with US institutional investors (the "US Private Placement") for an amount of €150 million. The issue was also completed in order to redeem the outstanding USD 85 million USPP issued in 2012, and allowed the Group to take advantage of the particularly favorable market conditions to gather additional funds to meet the Group's current operating needs; see note 30. *Other financial payables* for more information.

In June and July 2017, two 4/5 year fixed rate loans (as a result of hedges) were entered into with two premiere lenders for a total of €195 million; see note 29. *Bank payables* for more information.

There were no significant changes in the scope of consolidation in the first half of 2017.

SEASONALITY OF BUSINESS

The Group's business is traditionally seasonal, with first-half revenues and profit proportionately lower than those of the year as a whole.

COMMENTS ON THE INCOME STATEMENT

1. REVENUES

Revenues, comprising revenues from sales and services and other revenues, are broken down by region as follows:

(€/million)	1st half 2017	% of revenues	1st half 2016	% of revenues	Change	Change %
North East Europe	192,616	23.3%	173,939	22.5%	18,677	10.7%
South West Europe	347,131	41.9%	335,667	43.5%	11,464	3.4%
EUROPE	539,747	65.2%	509,606	66.0%	30,141	5.9%
MEIA (Middle East/India/Africa)	64,222	7.8%	62,645	8.1%	1,577	2.5%
United States and Canada	86,449	10.4%	72,058	9.3%	14,391	20.0%
Australia and New Zealand	52,451	6.3%	48,153	6.2%	4,298	8.9%
Japan	21,905	2.6%	20,315	2.6%	1,590	7.8%
Other countries area APA	62,862	7.6%	59,119	7.7%	3,743	6.3%
APA (Asia/Pacific/Americas)	223,667	27.0%	199,645	25.9%	24,022	12.0%
Total revenues	827,636	100.0%	771,896	100.0%	55,740	7.2%

More details about revenues by operating segment can be found in note 39. Operating segments.

"Other revenues" are broken down as follows:

	1st half 2017	1st half 2016	Change
Freight reimbursement	2,446	2,368	78
Commercial rights	1,425	1,112	313
Out-of-period gains	44	18	26
Damages reimbursed	199	422	(223)
Other income	8,620	5,988	2,632
Total	12,734	9,908	2,826

2. RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

The breakdown is as follows:

	1st half 2017	1st half 2016	Change
Finished products	216,297	186,596	29,701
Parts	183,765	161,473	22,292
Raw materials	49,529	25,574	23,955
Other purchases	7,952	6,592	1,360
Total	457,543	380,235	77,308

3. CHANGE IN INVENTORIES

The breakdown is as follows:

	1st half 2017	1st half 2016	Change
Change in inventories of finished products and work in progress	93,103	50,703	42,400
Change in inventories of raw and ancillary materials, consumables and goods	13,430	6,522	6,908

The difference between the overall change in inventories reported in the income statement and the change in balances reported in the statement of financial position is mainly due to differences arising on the translation of foreign company financial statements.

4. PAYROLL COSTS

These costs include €38,149 thousand in production-related payroll (€30,773 thousand at 30 June 2016).

The figures relating to the cost of employee benefits provided by certain Group companies in Italy and abroad are reported in note 31. *Employee Benefits*.

This item includes €1,795 thousand relating to the fair value of the stock option plan recognized in the period; see note 28. *Reserves* for additional information.

No non-recurring income/expenses were recorded in the first half of 2017 (€2,419 thousand in the first half of 2016).

The average employees reached 8,147 in the first half of 2017, an increase of 1,549 employees with respect to the first half of 2016.

The Group's workforce at 30 June 2017 can be broken down as follows:

	30.06.2017	30.06.2016	31.12.2016
Blue collar	5,391	3,683	4,210
White collar	3,037	2,829	2,974
Senior managers	103	93	102
Total	8,531	6,605	7,286

5. SERVICES AND OTHER OPERATING EXPENSES

These are detailed as follows:

	1st half 2017	1st half 2016	Change
Advertising and promotional expenses	80,024	71,536	8,488
Transport (for purchases and sales)	37,807	31,237	6,570
Subcontracted work	21,857	19,637	2,220
Rentals and leasing	16,953	16,772	181
Travel	9,545	9,465	80
Consulting services	8,723	8,643	80
After-sale expenses	8,890	7,272	1,618
Storage and warehousing	7,552	7,207	345
Insurance	4,193	4,468	(275)
Commissions	3,373	3,917	(544)
Power	4,062	3,653	409
Maintenance	2,107	2,299	(192)
Postage, telegraph and telephones	1,924	1,892	32
Statutory auditors' emoluments and Directors' emoluments	1,685	1,684	1
Other utilities, cleaning, security, waste disposal	1,437	1,268	169
Other sundry services	14,377	12,049	2,328
Total services	224,509	202,999	21,510
Sundry taxes	15,712	12,705	3,007
Other	1,766	2,269	(503)
Total other operating expenses	17,478	14,974	2,504
Total services and other operating expenses	241,987	217,973	24,014

At 30 June 2016 the item includes non-recurring expenses of €88 thousand incurred for the reorganization of a few foreign subsidiaries. No non-recurring income/expenses were recorded in the first half of 2017.

6. CONTINGENCY AND OTHER PROVISIONS

At 30 June 2017 this figure includes mainly provisions for contingencies and other charges of €4,397 thousand (€7,968 thousand at 30 June 2016 which includes €214 thousand incurred for the reorganization of a few foreign subsidiaries).

Please refer to note 32. *Other provisions for non-current contingencies and charges.*

7. AMORTIZATION

These are detailed as follows:

	1st half 2017	1st half 2016	Change
Amortization of intangible assets	5,944	5,220	724
Depreciation of property, plant and equipment	21,324	18,850	2,474
Total	27,268	24,070	3,198

More details about amortization and depreciation can be found in the tables reporting movements in intangible assets and property, plant and equipment.

8. NON-RECURRING INCOME/(EXPENSES)

This item included in the first half of 2016 expenses relating to the restructuring and reorganization of a few foreign subsidiaries which amounted to €2,721 thousand and recognized directly in the relative lines of the income statement (€2,419 thousand payroll costs, €88 thousand cost of services, €214 thousand provisions).

No non-recurring income/(expenses) are recorded in the first half of 2017.

9. FINANCIAL INCOME (EXPENSES)

Net financial income and expenses are broken down as follows:

	1st half 2017	1st half 2016	Change
Exchange differences and gains (losses) on currency hedges	(749)	(2,460)	1,711
Gains on equity investments	433	983	(550)
Net interest expense	(2,815)	(2,955)	140
Financial discounts	(6,764)	(7,107)	343
Other financial income (expenses)	(1,353)	(1,693)	340
Other net financial income (expenses)	(10,932)	(11,755)	823
Financial income (expenses)	(11,248)	(13,232)	1,984

"Exchange differences and gain (losses) on currency hedges" include the rate differentials on derivatives that hedge currency risk.

"Gains on equity investments" include the income generated by the interest held in the TCL/DL joint venture, dedicated to the manufacture of air conditioners, consolidated using the equity method. The figure for the first half of 2016 also includes the income generated by the sale of the minority interest held in DeLclima S.p.A. as a result of the public takeover bid.

"Net interest expense" includes both interest payable on the Group's financial debt (recalculated using the amortized cost method), as well as the financial cost of factoring receivables without recourse.

10. NON-RECURRING FINANCIAL INCOME (EXPENSES)

Non-recurring financial income includes the change in fair value of the earn-out payable as a result of the Braun Household acquisition, net of the impact of the early termination of the USPP and the relative hedge (previously recognized in the cash flow hedge reserve).

11. INCOME TAXES FOR THE PERIOD

These are analyzed as follows:

	1st half 2017	1st half 2016	Change
Current income taxes:			
- Income taxes	20,771	18,145	2,626
- IRAP (Italian regional business tax)	1,921	704	1,217
Deferred (advance) income taxes	(3,959)	(1,941)	(2,018)
Total	18,733	16,908	1,825

"Deferred (advance) income taxes" include the taxes calculated on the temporary differences arising between the accounting values of assets and liabilities and the corresponding tax base (particularly for taxed provisions recognized by the parent company and its subsidiaries). They also include the benefit arising from the carryforward of unused tax losses which are likely to be used in the future.

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: ASSETS

NON-CURRENT ASSETS

12. GOODWILL

	30.06.2017		31.12.2016		
	Gross	Net	Gross	Net	Change
Goodwill	103,827	97,080	103,827	97,080	-

The value of goodwill did not change during the first half.

Goodwill is not amortized because it is considered to have an indefinite useful life. Instead, it is tested for impairment at least once a year to identify any evidence of loss in value.

The objective of the impairment test is to determine the value in use of the CGU to which the goodwill refers, meaning the present value of the future cash flows expected to be derived from ongoing use of the assets; any cash flows arising from extraordinary events are therefore ignored.

In particular, value in use is determined using the discounted cash flow method for forecast cash flows contained in three-year plans approved by management.

The impairment test carried out at the end of 2016 on the basis of discount rates reflecting current market assessments of the time value of money and the risks specific to the individual cash-generating units, did not reveal any evidence that these assets might have suffered an impairment loss.

Estimating the recoverable amount of the CGUs requires management to make judgements and estimates. In fact, several factors also associated with developments in the difficult market context could make it necessary to reassess the value of goodwill. The Group will be constantly monitoring those circumstances and events that might make it necessary to perform new impairment tests.

No events of significance have occurred in the first half of 2017 such as might suggest that the carrying amount could have suffered any loss of value.

Further information can be found in the explanatory notes to the financial statements at 31 December 2016.

13. OTHER INTANGIBLE ASSETS

These are analyzed as follows:

	30.06.2017		31.12.2016		
	Gross	Net	Gross	Net	Change
New product development costs	82,203	15,022	80,005	15,719	(697)
Patents	37,316	4,947	36,699	5,085	(138)
Trademarks and similar rights	280,981	186,616	280,919	188,221	(1,605)
Work in progress and advances	16,232	15,803	13,121	12,692	3,111
Other	22,378	7,403	23,343	8,995	(1,592)
Total	439,110	229,791	434,087	230,712	(921)

The following table reports movements in the main asset categories during the first half 2017:

	New product development costs	Patents	Trademarks and similar rights	Work in progress and advances	Other	Total
Net opening balance	15,719	5,085	188,221	12,692	8,995	230,712
Additions	2,357	634	65	3,111	219	6,386
Amortization	(2,895)	(755)	(1,667)	-	(627)	(5,944)
Translation differences and other movements (*)	(159)	(17)	(3)	-	(1,184)	(1,363)
Net closing balance	15,022	4,947	186,616	15,803	7,403	229,791

(*) The amounts relating to "Other movements" mostly refer to reclassifications of certain intangible assets.

The main additions refer to the capitalization of new product development projects, based on detailed reporting and analysis of the costs incurred and the estimated future utility of such projects.

The Group has capitalized a total of €5,468 thousand in development costs as intangible assets during the first half of 2017; the increase of €2,357 thousand in "New product development costs" for projects already completed at 30 June 2017, and €3,111 thousand in "Work in progress and advances" for projects still in progress.

The Group has incurred some €25.2 million in research and development costs during the first half of 2017 (€24.1 million in the first half of 2016).

"Patents" mostly refer to internal development costs and the subsequent cost of filing for patents and to costs for developing and integrating data processing systems.

"Trademarks and similar rights" include €79.8 million for the "De'Longhi" trademark, as well as €95.0 million for the perpetual license over the Braun Household brand, treated as having an indefinite useful life under the criteria specified in IAS 38, taking into account, above all, brand awareness, economic performance, characteristics of the target market, the specific brand strategies and the amount of the investments made to support the brands.

The impairment test carried out at the end of 2016 did not reveal any evidence that these assets might have suffered an impairment loss. No events of significance have occurred in the first half of 2017 such as might suggest that the carrying amount of trademarks could have suffered any impairment loss.

14. LAND, PROPERTY, PLANT AND MACHINERY

These are analyzed as follows:

	30.06.2017		31.12.2016		Change
	Gross	Net	Gross	Net	
Land and buildings	94,815	70,472	79,642	56,900	13,572
Plant and machinery	138,751	53,685	136,373	53,823	(138)
Total	233,566	124,157	216,015	110,723	13,434

The following table reports movements during the first half 2017:

	Land and buildings	Plant and machinery	Total
Net opening balance	56,900	53,823	110,723
Additions	17,016	3,328	20,344
Disposals	(7)	18	11
Depreciation	(2,450)	(4,677)	(7,127)
Translation differences and other movements (*)	(987)	1,193	206
Net closing balance	70,472	53,685	124,157

(*) The amounts relating to "Other movements" mostly refer to the reclassifications of "Work in progress and advances".

The increase in "Land and buildings" refers to the Group's purchase of the Treviso property and the surrounding area. This investment is part of the project to expand R&D which calls for the construction of a new center dedicated to new product development, along with new offices and general services. The purchase, which qualified as a related party transaction, is subject to Consob Regulation n. 17221/2010 and the provisions of the De'Longhi Group's "Procedures for Related Party Transactions" insofar as the seller is controlled by De'Longhi S.p.A.'s largest shareholder. The price of the transaction, €16.4 million, was based on the appraisals of independent experts and the favorable opinion of De'Longhi's Risk and Control Committee.

The investments in "Plant and machinery" refer mainly to the purchase of systems at the Chinese plant and the expansion of the coffee machine production lines in Italy.

The balance of property, plant and equipment includes the following assets purchased under finance lease (reported at their net book value):

	30.06.2017	31.12.2016	Change
Plant and equipment	3,942	4,142	(200)
Other	-	2	(2)
Total	3,942	4,144	(202)

Information on the financial liability arising under the related lease agreements can be found in note 30. *Other financial payables*.

15. OTHER TANGIBLE ASSETS

Details of other tangible assets are as follows:

	30.06.2017		31.12.2016		Change
	Gross	Net	Gross	Net	
Industrial and commercial equipment	273,250	47,730	261,141	43,916	3,814
Other	78,457	22,831	76,620	22,874	(43)
Work in progress and advances	20,832	20,833	17,582	17,582	3,251
Total	372,539	91,394	355,343	84,372	7,022

The following table reports movements during the first half 2017:

	Industrial and commercial equipment	Other	Work in progress and advances	Total
Net opening balance	43,916	22,874	17,582	84,372
Additions	9,557	3,676	11,068	24,301
Disposals	(9)	(61)	-	(70)
Depreciation	(10,484)	(3,713)	-	(14,197)
Translation differences and other movements(*)	4,750	55	(7,817)	(3,012)
Net closing balance	47,730	22,831	20,833	91,394

(*) The amounts relating to "Other movements" mostly refer to the reclassifications of "Work in progress and advances".

The additions to "Industrial and commercial equipment" mostly refer to the purchase of moulds for manufacturing new products.

The increase in "Work in progress" refers to the first tranche of the investments made in the Romanian production facility and the initial investments linked to the development of the new headquarters.

16. EQUITY INVESTMENTS

Details of equity investments are as follows:

	30.06.2017	31.12.2016	Change
Equity investments consolidated using the equity method	23,667	4,678	18,989
Other equity investments available-for-sale	52	61	(9)
Total	23,719	4,739	18,980

"Equity investments consolidated using the equity method" refers to the associates and equity investments contractually subject to joint control accounted for using the equity method in accordance with IAS 28 – *Investments in associates and joint ventures*.

The change in the value of equity investments consolidated using the equity method in the first half of 2017 can be broken down as follows:

	30.06.2017
Opening net balance	4,678
Acquisition 40% of the Eversys Group	18,825
Portion of JV's net profit	433
Exchange differences	(269)
Closing net balance	23,667

On 13 June 2017 the acquisition of the Swiss Group Eversys, active in the design and integrated production of espresso coffee makers for professional users, was finalized. The agreement calls for the purchase of 40% of the Swiss Group Eversys, with the option to acquire the remaining 60% through a "put & call" mechanism to be exercised by June 30, 2021. Based on the agreements signed, the investment was configured like an acquisition of a non-controlling interest accounted for using the equity method. The cash-out of €18,825 thousand includes the consideration paid, €16,125 thousand, and the fair value of the option on the remaining interest (€2,700 thousand).

17. NON-CURRENT RECEIVABLES

The balance at 30 June 2017 includes €3,375 thousand in security deposits (€3,283 thousand at 31 December 2016).

18. OTHER NON-CURRENT FINANCIAL ASSETS

At 30 June 2017, these refer for €3,278 thousand, to the shareholder loan granted relative to the Eversys Group acquisition and the investments called for in the business plan, as well as € 129 thousand related to the fair value measurement of interest rate swaps connected to the loan granted to the parent company De'Longhi S.p.A. by Intesa S.Paolo. At 31 December 2016, these refer to the fair value of derivatives which amounted to €4,698 thousand.

19. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities are detailed as follows:

	30.06.2017	31.12.2016	Change
Deferred tax assets	43,371	38,379	4,992
Deferred tax liabilities	(28,297)	(27,576)	(721)
Net asset balance	15,074	10,803	4,271

"Deferred tax assets" and "Deferred tax liabilities" include the taxes calculated on temporary differences between the carrying amount of assets and liabilities and their corresponding tax base (particularly taxed provisions recognized by the parent company and its subsidiaries) and the tax effects associated with the allocation of higher values to fixed assets as a result of allocating goodwill arising on consolidation. They also include the benefit arising from the carryforward of unused tax losses which are likely to be used in the future.

Details of the net balance are as follows:

	30.06.2017	31.12.2016	Change
Temporary differences	7,381	5,490	1,891
Tax losses	7,693	5,313	2,380
Net asset balance	15,074	10,803	4,271

The change in the net asset balance also reflects the increase recognized in net equity of €1,344 thousand relating to "Fair value and cash flow hedge reserve".

CURRENT ASSETS

20. INVENTORIES

"Inventories", shown net of an allowance for obsolete and slow-moving goods, can be broken down as follows:

	30.06.2017	31.12.2016	Change
Finished products and goods	348,044	268,057	79,987
Raw, ancillary and consumable materials	76,269	64,115	12,154
Work in progress and semi-finished products	26,194	22,972	3,222
Inventory writedown allowance	(34,159)	(34,358)	199
Total	416,348	320,786	95,562

The value of inventories, influenced by seasonality, is stated after deducting an allowance for obsolete or slow-moving goods totalling €34,159 thousand (€34,358 thousand at 31 December 2016) in relation to products and raw materials that are no longer of strategic interest to the Group.

21. TRADE RECEIVABLES

These are detailed as follow:

	30.06.2017	31.12.2016	Change
Trade receivables			
- due within 12 months	266,656	388,071	(121,415)
- due beyond 12 months	225	255	(30)
Allowance for doubtful accounts	(10,256)	(15,549)	5,293
Total trade receivables	256,625	372,777	(116,152)

Trade receivables, which are influenced by seasonality, are stated net of an allowance for doubtful accounts of €10,256 thousand, representing a reasonable estimate of the expected risk at the reporting date. The allowance refers to a number of disputed receivables or those whose collection is otherwise in doubt and takes account of the fact that a significant proportion of the receivables are covered by insurance policies with major insurers.

22. CURRENT TAX ASSETS

These are detailed as follows:

	30.06.2017	31.12.2016	Change
Tax payments on account	5,534	3,903	1,631
Other direct tax receivables	4,297	4,614	(317)
Tax refunds requested	1,008	1,270	(262)
Total	10,839	9,787	1,052

There are no current tax assets due beyond 12 months.

23. OTHER RECEIVABLES

"Other receivables" are analyzed as follows:

	30.06.2017	31.12.2016	Change
VAT	18,571	13,067	5,504
Advances to suppliers	7,936	6,257	1,679
Other tax receivables	3,664	3,612	52
Prepaid insurance costs	1,335	1,216	119
Employees	286	229	57
Other	7,983	7,947	36
Total	39,775	32,328	7,447

This item doesn't include amounts due beyond 12 months.

24. CURRENT FINANCIAL RECEIVABLES AND ASSETS

"Current financial receivables and assets" are analyzed as follows:

	30.06.2017	31.12.2016	Change
Fair value of derivatives	10,076	25,576	(15,500)
Other financial receivables	118	100	18
Total current financial receivables and assets	10,194	25,676	(15,482)

More details on the fair value of derivatives can be found in note 30. *Other financial payables*.

25. CASH AND CASH EQUIVALENTS

This balance consists of surplus liquidity in current bank accounts, mostly relating to customer payments received at the end of the period and temporary cash surpluses.

A few of the Group's foreign companies have a total of €525.0 million in cash in current accounts held at the same bank. These cash balances form part of the international cash pooling system and are partially offset by €518.4 million in overdrafts at the same bank pertaining to other foreign companies. This bank therefore acts as a "clearing house" for the Group's positive and negative cash balances. Considering the substance of the transactions and technical workings of the international cash pooling system, the positive and negative cash balances have been netted against one another in the consolidated statement of financial position, as allowed by IAS 32. The bank in question has been given a lien over all the cash balances within the international cash pooling system in respect of this service.

The cash balances at 30 June 2017 include €456 thousand in current accounts of a few subsidiaries which are restricted having been given as collateral.

26. NON-CURRENT ASSETS HELD FOR SALE

The item refers to the value of a freehold property of a branch that was classified under non-current assets held for sale, as required under IFRS 5 – *Non-current assets held for sale and discontinued operations*, insofar as the Group initiated a program to locate a buyer and complete the disposal.

The amount corresponds to the net carrying amount, insofar as it is not less than the fair value of the assets held for sale, net of the selling costs.

	31.12.2016	Translation difference	30.06.2017
Non-current asset held for sale	1,389	(66)	1,323

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: NET EQUITY AND LIABILITIES

NET EQUITY

Net equity is made up as follows:

	30.06.2017	31.12.2016	Change
Group portion	916,112	1,010,627	(94,515)
Minority interests	-	3,420	(3,420)
Total	916,112	1,014,047	(97,935)

The primary objective of the Group's capital management is to maintain a solid credit rating and adequate capital ratios in order to support its business and maximize value for shareholders.

Movements in the equity accounts are reported in one of the earlier schedules forming part of the financial statements; comments on the main components and their changes are provided below.

The annual general meeting (AGM) of De'Longhi S.p.A. held on 11 April 2017 approved a dividend totalling €119,600 thousand, which was paid in full during the semester.

27. SHARE CAPITAL

Share capital is made up of 149,500,000 ordinary shares of par value €1.5 each, for a total of €224,250 thousand.

During the Annual General Meeting held on 14 April 2016, shareholders of De'Longhi S.p.A. resolved to increase share capital against payment by up to a maximum nominal amount of €3,000,000 by 31 December 2022 through the issue, including on one or more occasions, of a maximum of 2,000,000 ordinary shares with a par value of €1.5 each pari passu with all shares outstanding at the issue date, to service the stock option plan.

Stock options on a total of 1,830,000 shares had been assigned at 31 December 2016; the remaining options on 170,000 shares were assigned on 4 April 2017.

Earnings per share are calculated by dividing the earnings for the year by the weighted average number of the Company's shares outstanding during the period.

	30.06.2017
Weighted average number of shares outstanding	149,500,000
Weighted average number of diluted shares outstanding	151,411,713

The dilutive effect of the stock option plan was not significant at 30 June 2017, therefore the diluted earnings per share (€0.37) is in line with the basic earnings per share (€0.38).

28. RESERVES

These are analyzed as follows:

	30.06.2017	31.12.2016	Change
Share premium reserve	162	162	-
Legal reserve	25,229	18,941	6,288
Other reserves:			
- Extraordinary reserve	19,821	19,942	(121)
- Fair value and cash flow hedge reserve	1,933	8,642	(6,709)
- Stock option reserve	2,161	366	1,795
- Currency translation reserve	24,475	48,798	(24,323)
- Profit (loss) carried forward	561,921	522,115	39,806
Total	635,702	618,966	16,736

The "Share premium reserve" was set up following the public offering at the time of the parent company's listing on the Milan stock exchange on 23 July 2001 which was subsequently reduced following the demerger transaction in favour of De'Lclima S.p.A. to €162 thousand.

The "Legal reserve" had a balance of €18,941 thousand at 31 December 2016. The increase of €6,288 thousand is explained by the allocation of profit for the year approved by shareholders during De'Longhi S.p.A.'s AGM held on 11 April 2017.

The "Extraordinary reserve" decreased by €121 thousand due to the allocation of the profit for the year, as approved by shareholders of De'Longhi S.p.A. during the above AGM.

The "Fair value and cash flow hedge reserve" reports a positive balance of €1,933 thousand, net of €547 thousand in tax.

The change in the "Fair value and cash flow hedge" reserve in first half 2017, recognized in the statement of comprehensive income for the year, is attributable to the fair value of the cash flow hedge and available-for-sale securities of €8,053 thousand net of €1,344 thousand in tax.

The "Stock option" reserve amounted to €2,161 thousand which corresponds to the fair value of the options at the assignment date, recognized on a straight-line basis from the grant date through vesting.

During the Annual General Meeting held on 14 April 2016 shareholders approved the stock-based incentive plan "Stock option plan 2016-2022" reserved for the Chief Executive Officer of the parent company De'Longhi S.p.A. and a limited number of Group managers and key resources.

Please refer to the Annual financial report at 31 December 2016 and to Compensation Report for more information on the Plan.

For the purposes of valuation under IFRS 2 - *Share-based payments*, two different tranches were defined for each award which contain the same number of options broken down equally into the plan's two exercise periods. The fair value per share of the options assigned in 2016 amounted to € 5.3072 for the first tranche and to €5.2488 for

the second. The fair value per share of the options assigned in 2017 amounted to €7.6608 for the first tranche and to €7.4442 for the second.

The fair value of the stock options is determined using the Black-Scholes model which takes into account the conditions for the exercise of the right, the current share price, expected volatility, a risk free interest rate, as well as the non-vesting conditions.

Volatility is estimated based on the data of a market provider and corresponds to the estimated volatility of the stock over the life of the plan.

The assumptions used to determine the fair value of the options assigned are shown below:

	2017 award	2016 award
Expected dividends (Euro)	0.80	0.43
Estimated volatility (%)	28.09%	33.23%
Historic volatility (%)	31.12%	36.067%
Market interest rate	Euribor 6M	Euribor 6M
Expected life of the options (years)	2.142/3.158	2.51 / 3.53
Exercise price (Euro)	20.4588	20.4588

"Profit (loss) carried forward" includes the retained earnings of the consolidated companies and the effects of consolidation adjustments and adjustments to comply with Group accounting policies. The net increase posted in the year reflects the profit carried forward from the previous year of €167,411 thousand, net of dividends paid, allocation to other reserves, as well as the difference between the amount owed for the purchase of the non-controlling interest in E-Services S.r.l. and the percentage of net equity acquired.

At 31 December 2016 the minority interests in net equity amount to €3,420 thousand and refer to the non-controlling interest (49%) held in E-Services S.r.l., acquired in the half by the parent company De'Longhi S.p.A. which, at the date of this report, owns 100% of the company.

Below is a reconciliation between the net equity and profit reported by the parent company, De'Longhi S.p.A., and the figures shown in the consolidated financial statements:

	Net equity 30.06.2017	Profit (loss) after taxes 1st half 2017
De'Longhi S.p.A. financial statements	327,771	45,715
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	617,717	20,340
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	21,260	(1,203)
Elimination of intercompany profits	(48,710)	(8,981)
Other adjustments	(1,922)	289
Consolidated financial statements	916,116	56,160
Minority interests	-	-
Group portion	916,116	56,160

NON-CURRENT LIABILITIES

29. BANK LOANS AND BORROWINGS

"Bank loans and borrowings" (including the current portion) are analyzed as follows:

	30.06.2017	31.12.2016	Change
Overdrafts	131	651	(520)
Short-term loans in Euro or foreign currency	50,519	28,725	21,794
Long-term loans in Euro or foreign currency	75,840	-	75,840
Total bank loans and borrowings	126,490	29,376	97,114

During the first half of 2017 a new 5-year floating rate loan of €95,000 thousand was granted by Intesa Sanpaolo S.p.A. which is subject to half-yearly financial covenants beginning on 31 December 2017. The loan is repayable in half-yearly instalments beginning on 29 December 2017. An interest rate swap (IRS) was used to hedge interest rate risk which made it possible to exchange floating rate debt for fixed rate debt at an annual "all-in" cost of 0.61%. The change in the fair value of the IRS came to a positive €129 thousand at 30 June 2017 and is recognized under other non-current financial assets.

Significant events after 30 June 2017 include the granting by Unicredit S.p.A. on 4 July 2017 of a second 4-year floating rate loan of €100,000 thousand which is repayable in half-yearly instalments and is subject to half-yearly financial covenants beginning on 31 December 2017. An interest rate swap (IRS) was used to hedge interest rate risk which made it possible to exchange floating rate debt for fixed rate debt at an annual "all-in" cost of 0.62%. The loan agreement was finalized after the close of the half and, therefore, had no impact on the statement of financial position.

30. OTHER FINANCIAL PAYABLES

This balance, inclusive of the current portion, is made up as follows:

	30.06.2017	31.12.2016	Change
Private placement (short-term portion)	216	7,365	(7,149)
Negative fair value of derivatives	7,424	5,356	2,068
Payables to lease companies (short-term portion)	597	776	(179)
Other short term financial payables	39,017	65,406	(26,389)
Total short-term payables	47,254	78,903	(31,649)
Private placement (one to five years)	42,750	29,453	13,297
Payables to lease companies (one to five years)	123	338	(215)
Other financial payables (one to five years)	5,219	1,422	3,797
Total long-term payables (one to five years)	48,092	31,213	16,879
Private placement (beyond five years)	107,138	44,403	62,735
Other financial payables (beyond five years)	129	267	(138)
Total long-term payables (beyond five years)	107,267	44,670	62,597
Total other financial payables	202,613	154,786	47,827

On 14 June 2017 the parent company De'Longhi S.p.A., after having received approval from the Board of Directors on 9 June 2017, completed the issue and placement of €150 million in unsecured, non-convertible notes with US institutional investors (the "US Private Placement"). At the same time as the new issue, which was subscribed by Pricoa Capital Group, part of the US group Prudential Financial Inc., the Group redeemed the USD 85 million bond loan issued in 2012. Banca IMI (Intesa Sanpaolo Group) acted as the financial advisor for the transaction.

The securities were issued in a single tranche, have a duration of 10 years, expire in June 2027, and an average life of 7 years. The notes will accrue interest from the subscription date at a fixed rate of 1.65% per annum.

The notes will be repaid yearly in equal instalments beginning June 2021 and ending June 2027, without prejudice to the Company's ability to repay the entire amount in advance.

The securities are unrated and are not intended to be listed on any regulated markets. The notes are subject to half-yearly financial covenants in line with those contemplated in other existing loan transactions. At 30 June 2017 the covenants had not been breached. The issue is not secured by collateral of any kind.

The "Negative fair value of derivatives" refers to hedges on currencies, foreign currency receivables and payables, as well as on future revenue streams.

"Other short term financial payables" refer mainly to factoring without recourse, as well as the earn-out payable under the Braun sales agreement linked to the sales performance of the Braun brand over the first five years following the acquisition. These also include the remaining short-term portion of the pension fund liabilities pertaining to a subsidiary which were transferred to third parties and the portion of a loan granted to an Italian subsidiary (MIUR).

"Other financial payables (one to five years)" refer primarily to the fair value of the put & call options on the Eversys Group, the variable amounts payable connected to the purchase of non-controlling interests and the remainder of the long-term portion of the pension fund liabilities of a foreign subsidiary.

Net financial position

Details of the net financial position are as follows:

	30.06.2017	31.12.2016	Change
A. Cash	128	139	(11)
B. Cash equivalents	446,365	461,291	(14,926)
C. Securities	-	-	-
D. Total liquidity (A+B+C)	446,493	461,430	(14,937)
E. Current financial receivables and other securities	10,194	25,676	(15,482)
of which:			
Fair value of derivatives	10,076	25,576	(15,500)
F. Current bank loans and borrowings	(31,729)	(29,376)	(2,353)
G. Current portion of non-current debt	(18,921)	-	(18,921)
H. Other current financial payables	(47,254)	(78,903)	31,649
of which:			
Fair value measurement of derivatives, financial payables linked to business combinations and pension fund transactions	(14,767)	(29,375)	14,608
I. Current financial debt (F+G+H)	(97,904)	(108,279)	10,375
J. Net current financial receivables (payables) (D+E-I)	358,783	378,827	(20,044)
K1. Non-current financial receivables	3,407	4,698	(1,291)
of which:			
Fair value of derivatives	129	4,698	(4,569)
K2. Non-current bank loans and borrowings	(75,840)	-	(75,840)
L. Bonds	(149,889)	(73,856)	(76,033)
M. Other non-current payables	(5,470)	(2,027)	(3,443)
of which:			
financial payables linked to business combinations and pension fund transactions	(4,604)	(798)	(3,806)
N. Non-current financial debt (K+L+M)	(227,792)	(71,185)	(156,607)
Total	130,991	307,642	(176,651)

For a better understanding of changes in the Group's net financial position, reference should be made to the full consolidated statement of cash flows, appended to the present explanatory notes, and the condensed statement presented in the interim report on operations.

Details of financial receivables and payables with related parties are reported in Appendix 3.

The fair value of the outstanding derivatives at 30 June 2017 is provided below:

	Fair Value at 30.06.2017
FX forward agreements	(814)
Derivatives hedging foreign currency receivables/payables	(814)
FX forward agreements	3,466
IRS on parent company loans	129
Derivatives hedging expected cash flows	3,595
Total fair value of the derivatives	2,781

31. EMPLOYEE BENEFITS

These are made up as follows:

	30.06.2017	31.12.2016	Change
Provision for severance indemnities	13,903	14,119	(216)
Defined benefit plans	18,712	18,055	657
Other employee benefits	13,167	10,533	2,634
Total employee benefits	45,782	42,707	3,075

The provision for severance indemnities includes amounts payable to employees of the Group's Italian companies and not transferred to supplementary pension schemes or the pension fund set up by INPS (Italy's national social security agency). This provision has been classified as a defined benefit plan, governed as such by IAS 19 - *Employee benefits*.

Some of the Group's foreign companies provide defined benefit plans for their employees. Some of these plans have assets servicing them, but severance indemnities, as an unfunded obligation, do not. These plans are valued on an actuarial basis to express the present value of the benefit payable at the end of service that employees have accrued at the reporting date.

The amounts of the obligations and assets to which they refer are set out below:

Provision for severance indemnities:

Movements in the period are summarized below:

Net cost charged to income	1st half 2017
Current service cost	93
Interest cost on obligations	113
Total	206

Change in present value of obligations	
Present value at 1 January 2017	14,119
Current service cost	93
Utilization of provision	(422)
Interest cost on obligations	113
Present value at 30 June 2017	13,903

Defined benefit plans:

Movements in the period are as follows:

Net cost charged to income	1st half 2017
Current service cost	592
Interest cost on obligations	140
Total	732

Change in present value of obligations	
Present value at 1 January 2017	18,055
Net cost charged to income	732
Benefits paid	(270)
Translation differences and other movements	195
Present value at 30 June 2017	18,712

The outstanding liability at 30 June 2017 of €18,712 thousand (€18,055 thousand at 31 December 2016) refers to a few subsidiaries (mainly in Germany and Japan).

The other employee benefits refer to an incentive plan 2015 – 2017 for which relative provisions were made. The plan, benefitting the Chief Executive Officer, as well as a few other executives of De'Longhi Group was approved by the Company's Board of Directors on 11 November 2015. For more information please refer to the Annual Report on Remuneration.

32. OTHER PROVISIONS FOR NON-CURRENT CONTINGENCIES AND CHARGES

These are analyzed as follows:

	30.06.2017	31.12.2016	Change
Agents' leaving indemnity provision and other retirement provisions	1,814	1,807	7
Product warranty provision	32,265	31,985	280
Provisions for contingencies and other charges	10,287	13,940	(3,653)
Total	44,366	47,732	(3,366)

Movements are as follows:

	31.12.2016	Utilization	Net Accruals	Currency translation differences and other movements	30.06.2017
Agents' leaving indemnity provision and other retirement provisions	1,807	-	7	-	1,814
Product warranty provision	31,985	(7,497)	7,378	399	32,265
Provisions for contingencies and other charges	13,940	(1,817)	(2,988)	1,152	10,287
Total	47,732	(9,314)	4,397	1,551	44,366

The agents' leaving indemnity provision covers the payments that might be due to departing agents in accordance with art. 1751 of the Italian Civil Code, as applied by collective compensation agreements in force.

The product warranty provision has been established, for certain consolidated companies, on the basis of estimated under-warranty repair and replacement costs for sales taking place by 30 June 2017. It takes account of the provisions of Decree 24/2002 and of European Community law.

The "Provision for contingencies and other charges" includes the provision of €5,545 thousand (€8,206 thousand at 31 December 2016) for liabilities arising from product complaints (limited to the Group's insurance deductible), the provision of €2,377 thousand (€3,989 thousand at 31 December 2016) for restructuring and reorganization and provisions made by the parent company, as well as a few subsidiaries, relating to commercial risks and other charges.

CURRENT LIABILITIES

33. CURRENT TAX LIABILITIES

The item "Tax liabilities" refers to the Group's direct tax and doesn't include tax due beyond 12 months. As a result of the participation of De'Longhi S.p.A. and a few Italian subsidiaries in the national tax consolidation regime as part of the tax group formed by the parent company De'Longhi Industrial S.A., resident in Italy for tax purposes this item also includes €19,175 thousand owed related parties. See Appendix 3. "Transactions and balances with related parties" for more information.

34. OTHER PAYABLES

These are detailed as follows:

	30.06.2017	31.12.2016	Change
Employees	33,259	33,088	171
Indirect taxes	7,462	21,065	(13,603)
Social security institutions	4,664	6,723	(2,059)
Withholdings payables	3,056	4,931	(1,875)
Other taxes	942	1,366	(424)
Advances	553	154	399
Other	19,894	19,765	129
Total	69,830	87,092	(17,262)

35. COMMITMENTS

These are detailed as follows:

	30.06.2017	31.12.2016	Change
Guarantees given to third parties	2,163	2,203	(40)
Other commitments	6,500	4,815	1,685
Total	8,663	7,018	1,645

"Other commitments" mainly consist of contractual obligations pertaining to the subsidiaries.

In addition to the above, the Group guarantees the commitments of the companies involved in the factoring of trade receivables without recourse, the total exposure for which amounted to €108,742 at 30 June 2017.

36. HIERARCHICAL LEVELS OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following table presents the hierarchical levels in which the fair value measurements of financial instruments have been classified at 30 June 2017. As required by IFRS 7, the hierarchy comprises the following levels:

- level 1: quoted prices in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3: inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value	Level 1	Level 2	Level 3
Derivatives:			
- derivatives with positive fair value	-	10,205	-
- derivatives with negative fair value	-	(7,424)	-
Available-for-sale financial assets:			
- equity investments	52	-	-
- other non-current financial assets	-	-	-
Financial payables linked to business combinations			(11,177)

There were no transfers between the levels during the period.

37. TAX POSITION

No significant changes took place in the tax position in the period ending on 30 June 2017.

38. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Appendix 3 contains the information concerning transactions and balances with related parties required by CONSOB Circulars 97001574 dated 20 February 1997, 98015375 dated 27 February 1998 and DEM/2064231 dated 30 September 2002; all transactions have fallen within the Group's normal operations and have been settled under arm's-length terms and conditions.

Transactions and balances between the parent company and subsidiaries are not reported since these have been eliminated upon consolidation.

39. OPERATING SEGMENTS

As required under IFRS 8, the Group's activities were broken down into three operating segments (Europe, APA, MEIA) based on business region.

Each segment is responsible for all aspects of the Group's brands and services different markets; the revenues and the margins, therefore, generated by each operating segment (based on business region) may not coincide with the revenues and margins of the relative markets (based on geographic area) given the sales made by a few Group companies outside of their respective geographical areas and the intragroup transactions not allocated based on destination.

Information relating to operating segments is presented below:

Income statement data

	1st half 2017				
	Europe	APA	MEIA	Eliminations ^(**)	Consolidated total
Revenues ^(*)	631,867	450,770	51,856	(306,857)	827,636
EBITDA	67,693	29,975	5,236	645	103,549
Amortization	(19,541)	(7,694)	(33)	-	(27,268)
EBIT	48,152	22,281	5,203	645	76,281
Financial income (expenses)					(1,388)
Profit (loss) before taxes					74,893
Income taxes					(18,733)
Profit (loss) after taxes					56,160
Profit (loss) pertaining to minority interests					-
Profit (loss) for the period					56,160

^(*) The revenues for each segment include revenues generated by both third parties and other Group operating segments.

^(**) Eliminations refer to intersegment revenues related to transactions between operating segments, eliminated on a consolidated basis.

Statement of financial position

	30 June 2017				
	Europe	APA	MEIA	Eliminations	Consolidated total
Total assets	1,173,989	721,743	37,947	(135,788)	1,797,891
Total liabilities	(746,741)	(257,117)	(13,705)	135,784	(881,779)

Income statement data

	1st half 2016				
	Europa	APA	MEIA	Eliminations ^(**)	Consolidated total
Revenues ^(*)	578,932	410,034	54,323	(271,393)	771,896
EBITDA	69,687	29,115	4,845	205	103,852
Amortization	(17,790)	(6,253)	(27)	-	(24,070)
EBIT	51,897	22,862	4,818	205	79,782
Financial income (expenses)					(13,232)
Profit (loss) before taxes					66,550
Income taxes					(16,908)
Profit (loss) after taxes					49,642
Profit (loss) pertaining to minority interests					203
Profit (loss) for the period					49,439

^(*) The revenues for each segment include revenues generated by both third parties and other Group operating segments.

^(**) Eliminations refer to intersegment revenues related to transactions between operating segments, eliminated on a consolidated basis.

Statement of financial position

	31 December 2016				
	Europa	APA	MEIA	Eliminations	Consolidated total
Total assets	1,152,003	741,795	45,245	(140,884)	1,798,159
Total liabilities	(640,857)	(271,185)	(12,957)	140,887	(784,112)

40. RISK MANAGEMENT

The Group is exposed to the following financial risks as part of its normal business activity: credit, liquidity and market risks (relating primarily to currency and interest rate).

This condensed half-year financial report does not contain all the information and explanatory notes relative to financial risk management that must be included in the annual report. For additional information in this regard refer to the notes to the consolidated financial statements at 31 December 2016.

41. SUBSEQUENT EVENTS

As part of its financial strategy and in order to sustain current operations, as well as the 2017-2018 investment plan, the Group decided to take advantage of the particularly favorable market conditions and to lower the current cost of debt by taking out two loans, one of which was disbursed in July 2017 and, therefore, is not reflected in this half-year financial report. See note 29. *Bank loans and borrowings*.

There have been no other significant events since the end of the reporting period other than what is described above.

Treviso, 28 July 2017

De'Longhi S.p.A.
Vice Chairman and Chief Executive Officer
Fabio de' Longhi

APPENDICES

These appendices contain additional information to that reported in the explanatory notes, of which they form an integral part.

This information is contained in the following appendices:

1. List of consolidated companies
2. Statement of consolidated cash flows in terms of net financial position
3. Transactions and balances with related parties:
 - a) Consolidated income statement and Consolidated statement of financial position*
 - b) Summary by company*

List of consolidated companies

(Appendix 1 to the Explanatory Notes)

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Company name	Registered office	Currency	Share capital (1)	Interest held at 30/06/2017	
				Directly	Indirectly
LINE-BY-LINE METHOD:					
DE'LONGHI APPLIANCES S.R.L.	Treviso	EUR	200,000,000	100%	
DE'LONGHI AMERICA INC.	Upper Saddle River	USD	9,100,000		100%
DE'LONGHI FRANCE S.A.R.L.	Clichy	EUR	2,737,500		100%
DE'LONGHI CANADA INC.	Mississauga	CAD	1		100%
DE'LONGHI DEUTSCHLAND GMBH	Neu-Isenburg	EUR	2,100,000	100%	
DE'LONGHI BRAUN HOUSEHOLD GMBH	Neu-Isenburg	EUR	100,000		100%
DE'LONGHI ELECTRODOMESTICOS ESPANA S.L.	Barcelona	EUR	3,066		100%
DE'LONGHI CAPITAL SERVICES S.R.L. (2)	Treviso	EUR	53,000,000	11.32%	88.68%
E- SERVICES S.R.L.	Treviso	EUR	50,000	100%	
DE'LONGHI KENWOOD A.P.A. LTD	Hong Kong	HKD	73,010,000		100%
TRICOM INDUSTRIAL COMPANY LIMITED	Hong Kong	HKD	171,500,000		100%
PROMISED SUCCESS LIMITED	Hong Kong	HKD	28,000,000		100%
ON SHIU (ZHONGSHAN) ELECTRICAL APPLIANCE CO.LTD.	Zhongshan City	CNY	USD 21,200,000		100%
DE'LONGHI-KENWOOD APPLIANCES (DONG GUAN) CO.LTD.	Qing Xi Town	CNY	HKD 285,000,000		100%
DE LONGHI BENELUX S.A.	Luxembourg	EUR	181,730,990	100%	
DE'LONGHI JAPAN CORPORATION	Tokyo	JPY	450,000,000		100%
DE'LONGHI AUSTRALIA PTY LTD.	Prestons	AUD	28,800,001		100%
DE'LONGHI NEW ZEALAND LTD.	Auckland	NZD	16,007,143		100%
ZASS ALABUGA LLC	Elabuga	RUB	95,242,767		100%
DE'LONGHI LLC	Mosca	RUB	3,944,820,000		100%
KENWOOD APPLIANCES LTD.	Havant	GBP	30,586,001		100%
KENWOOD LIMITED	Havant	GBP	26,550,000		100%
KENWOOD INTERNATIONAL LTD.	Havant	GBP	20,000,000		100%
KENWOOD APPL. (SINGAPORE) PTE LTD.	Singapore	SGD	500,000		100%
KENWOOD APPL. (MALAYSIA) SDN.BHD.	Subang Jaya	MYR	1,000,000		100%
DE'LONGHI-KENWOOD GMBH	Wr Neudorf	EUR	36,336	100%	
DE'LONGHI SOUTH AFRICA PTY.LTD.	Maraisburg	ZAR	100,332,501		100%
DE'LONGHI KENWOOD HELLAS S.A.	Atene	EUR	452,520		100%
DE'LONGHI PORTUGAL UNIPESSOAL LDA	Matosinhos	EUR	5,000		100%
ARIETE DEUTSCHLAND GMBH	Dusseldorf	EUR	25,000		100%
CLIM.RE. S.A.	Luxembourg	EUR	1,239,468	4%	96%
ELLE S.R.L.	Treviso	EUR	10,000		100%
DE'LONGHI BOSPHORUS EV ALETLERI TICARET ANONIM SİRKETİ	Istanbul	TRY	6,200,000		100%
DE'LONGHI PRAGA S.R.O.	Praga	CZK	200,000		100%
KENWOOD SWISS AG	Baar	CHF	1,000,000		100%
DL HRVATSKA D.O.O.	Zagabria	HRD	20,000		100%
DE'LONGHI BRASIL - COMÉRCIO E IMPORTAÇÃO Ltda	São Paulo	BRL	43,857,581		100%
DE'LONGHI POLSKA SP. Z.O.O.	Varsavia	PLN	50,000	0.1%	99.9%
DE'LONGHI APPLIANCES TECHNOLOGY SERVICES (Shenzen) Co. Ltd	Shenzen	CNY	USD 175,000		100%
DE'LONGHI UKRAINE LLC	Kiev	UAH	549,843		100%
DE'LONGHI TRADING (SHANGHAI) CO. LTD	Shanghai	CNY	USD 945,000		100%
DE'LONGHI KENWOOD MEIA F.ZE	Dubai	USD	AED 2,000,000		100%
DE'LONGHI ROMANIA S.R.L.	Cluj-Napoca	RON	47,482,500	10%	90%
DE'LONGHI KENWOOD KOREA LTD	Seoul	KRW	900,000,000		100%
DL CHILE S.A.	Santiago del Cile	CLP	3,079,066,844		100%
DE'LONGHI SCANDINAVIA AB	Stockholm	SEK	5,000,000		100%
DE'LONGHI MEXICO SA DE CV	Bosques de las Lomas	MXN	2,576,000		100%
NPE S.R.L.	Treviso	EUR	10,000		100%

INVESTMENTS VALUED IN ACCORDANCE WITH THE EQUITY METHOD

DL-TCL HOLDINGS (HK) LTD.	Hong Kong	HKD	USD	5,000,000	50%
TCL-DE'LONGHI HOME APPLIANCES (ZHONGSHAN) CO.LTD.	Zhongshan City	CNY	USD	5,000,000	50%
EVERSYS HOLDING S.A.	Ardon	CHF		4,100,000	40%
EVERSYS S.A.	Ardon	CHF		2,500,000	40%

OTHER SUBSIDIARIES (IN LIQUIDATION)

Company name	Registered office	Currency	Share capital
Subsidiary companies:			
DE'LONGHI LTD.	Wellingborough	GBP	4,000,000

(1) Figures at 31 December 2016, unless otherwise specified.

(2) The articles of association, approved by the extraordinary shareholders' meeting held on 29 December 2004, give special rights to De'Longhi S.p.A. (holding 89% of the voting rights) for ordinary resolutions (approval of financial statements; declaration of dividends, nomination of directors and statutory auditors, purchase and sale of companies, grant of loans to third parties); voting rights are proportional as far as other resolutions are concerned, except for the preferential right to receive dividends held by the shareholder Kenwood Appliances Ltd.

Consolidated statement of cash flows in terms of net financial position
(Appendix 2 to the Explanatory Notes)

	1st half 2017	1st half 2016
Profit (loss) pertaining to the Group	56,160	49,439
Income taxes for the period	18,733	16,908
Amortization	27,268	24,070
Net change in provisions and other non-cash items	(2,521)	3,761
Cash flow generated by current operations (A)	99,640	94,178
Change in assets and liabilities:		
Trade receivables	114,820	155,172
Inventories	(106,531)	(57,227)
Trade payables	(28,560)	(58,636)
Other changes in net working capital	(23,871)	(20,360)
Payment of income taxes	(16,620)	(12,645)
Cash flow generated (absorbed) by movements in working capital (B)	(60,762)	6,304
Cash flow generated by current operations and movements in working capital (A+B)	38,878	100,482
Investment activities:		
Investments in intangible assets	(6,386)	(4,978)
Other cash flows for intangible assets	16	(50)
Investments in property, plant and equipment	(44,645)	(17,678)
Other cash flows for property, plant and equipment	(47)	878
Net investments in equity investments and in minority interest	(24,334)	341
Cash flow absorbed by investment activities (C)	(75,396)	(21,487)
Dividends paid	(119,600)	(65,780)
Fair value and cash flow hedge reserve	(8,054)	(11,227)
Change in currency translation reserve	(12,479)	(17,293)
Increase (decrease) in minority interests	-	(91)
Cash flow absorbed by changes in net equity (D)	(140,133)	(94,391)
Cash flow for the period (A+B+C+D)	(176,651)	(15,396)
Opening net financial position	307,642	188,855
Cash flow for the period (A+B+C+D)	(176,651)	(15,396)
Closing net financial position	130,991	173,459

The Statement of Cash Flows at 30.06.2016 was restated in order to show net working capital net of the effect of the translation of intragroup balances expressed in currencies other than the Euro included in the cash flows generated by changes in net equity.

Transactions and balances with related parties

(Appendix 3 to the Explanatory Notes)

CONSOLIDATED INCOME STATEMENT (€/000)	1st half 2017	<i>of which with related parties</i>	1st half 2016	<i>of which with related parties</i>
Revenues from sales and services	814,902	630	761,988	378
Other revenues	12,734	891	9,908	349
Total consolidated revenues	827,636		771,896	
Raw and ancillary materials, consumables and goods	(457,543)	(19,657)	(380,235)	(17,045)
Change in inventories of finished products and work in progress	93,103		50,703	
Change in inventories of raw and ancillary materials, consumables and goods	13,430		6,522	
Materials consumed	(351,010)		(323,010)	
Payroll costs	(129,396)		(117,488)	
Services and other operating expenses	(241,987)	(2,662)	(217,973)	(2,767)
Provisions	(1,692)		(9,573)	
Amortization	(27,268)		(24,070)	
EBIT	76,283		79,782	
Financial income (expenses)	(11,248)		(13,232)	
Non recurring Financial income (expenses)	9,858		-	
PROFIT (LOSS) BEFORE TAXES	74,893		66,550	
Income taxes	(18,733)		(16,908)	
CONSOLIDATED PROFIT (LOSS) AFTER TAXES	56,160		49,642	
Profit (loss) pertaining to minority interests	-		203	
PROFIT (LOSS) PERTAINING TO THE GROUP	56,160		49,439	

ASSETS (€/000)	30.06.2017	of which with related parties	31.12.2016	of which with related parties
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	326,871		327,792	
- Goodwill	97,080		97,080	
- Other intangible assets	229,791		230,712	
PROPERTY, PLANT AND EQUIPMENT	215,551		195,095	
- Land, property, plant and machinery	124,157		110,723	
- Other tangible assets	91,394		84,372	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	30,501		12,720	
- Equity investments	23,719		4,739	
- Receivables	3,375		3,283	
- Other non-current financial assets	3,407	3,278	4,698	
DEFERRED TAX ASSETS	43,371		38,379	
TOTAL NON-CURRENT ASSETS	616,294		573,986	
CURRENT ASSETS				
INVENTORIES	416,348		320,786	
TRADE RECEIVABLES	256,625	1,200	372,777	989
CURRENT TAX ASSETS	10,839		9,787	
OTHER RECEIVABLES	39,775	147	32,328	241
CURRENT FINANCIAL RECEIVABLES AND ASSETS	10,194		25,676	
CASH AND CASH EQUIVALENTS	446,493		461,430	
TOTAL CURRENT ASSETS	1,180,274		1,222,784	
NON-CURRENT ASSETS HELD FOR SALE	1,323		1,389	
TOTAL ASSETS	1,797,891		1,798,159	
NET EQUITY AND LIABILITIES (€/000)	30.06.2017	of which with related parties	31.12.2016	of which with related parties
NET EQUITY				
GROUP PORTION OF NET EQUITY	916,112		1,010,627	
- Share capital	224,250		224,250	
- Reserves	635,702		618,966	
- Profit (loss) pertaining to the Group	56,160		167,411	
MINORITY INTERESTS	-		3,420	
TOTAL NET EQUITY	916,112		1,014,047	
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES	231,199		75,883	
- Bank loans and borrowings (long-term portion)	75,840		-	
- Other financial payables (long-term portion)	155,359		75,883	
DEFERRED TAX LIABILITIES	28,297		27,576	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	90,148		90,439	
- Employee benefits	45,782		42,707	
- Other provisions	44,366		47,732	
TOTAL NON-CURRENT LIABILITIES	349,644		193,898	
CURRENT LIABILITIES				
TRADE PAYABLES	327,152	4,884	365,315	96
FINANCIAL PAYABLES	97,904		108,279	
- Bank loans and borrowings (short-term portion)	50,650		29,376	
- Other financial payables (short-term portion)	47,254		78,903	
CURRENT TAX LIABILITIES	37,249	19,175	29,528	13,269
OTHER PAYABLES	69,830	500	87,092	500
TOTAL CURRENT LIABILITIES	532,135		590,214	
TOTAL NET EQUITY AND LIABILITIES	1,797,891		1,798,159	

Transactions and balances with related parties - Summary by company

In compliance with the guidelines and methods for identifying significant transactions, especially those with related parties covered by the De'Longhi S.p.A. rules on corporate governance, we shall now present the following information concerning income and expenses for the first half 2017 and credit/debit balances at 30 June 2017 from related party transactions:

(€/million)	Revenues	Raw material and other costs	Trade and other receivables	Financial receivables	Trade and other payables
<i>Related parties: (1)</i>					
DL Radiators S.r.l.	0.9	-	0.8	-	0.6
TCL-De'Longhi Home Appliances (Zhongshan) Co.Ltd.	0.1	19.7	-	-	3.9
Gamma S.r.l.	0.1	2.6	0.1	-	1.0
De'Longhi Industrial S.A.	0.4	-	0.4	-	19.2
Eversys Holding S.A.	-	-	-	3.3	-
TOTAL RELATED PARTIES	1.5	22.3	1.3	3.3	24.6

(1) Commercial relationships.

De'Longhi S.p.A. and a few Italian subsidiaries adhered to the national tax consolidation regime (Presidential Decree. n. 917/1986 - articles 117 through 129, and Decree of 9.6.2004), as part of a tax group formed by the parent company De'Longhi Industrial S.A.; the agreement entered into covers the three-year period 2016-2018 and may be renewed. The €19.2 million included in tax payables is comprised of the taxes payable by the members of the tax group through De'Longhi Industrial S.A..

The amount owed DL Radiators S.r.l. refers mainly to taxes payable in prior years when the companies were part of De'Longhi S.p.A.'s tax Group.

The purchase of the property in Treviso from Gamma S.r.l., described in the explanatory notes above, is not shown in this statement at 30 June 2017 as the consideration has already been paid.

Certification of the half-year condensed consolidated financial statements pursuant to art. 81-ter of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions

The undersigned Fabio de'Longhi, Chief Executive Officer, and Stefano Biella, as Financial Reporting Officer of De'Longhi S.p.A., attest, also taking account of the provisions of paragraphs 3 and 4, art. 154-bis, of Decree 58 dated 24 February 1998:

that the accounting and administrative processes for preparing the half-year condensed consolidated financial statements during the first half of 2017:

- have been adequate in relation to the company's characteristics and
- have been effectively applied.

They also certify that the half-year condensed consolidated financial statements at 30 June 2017:

- have been prepared in accordance with the applicable International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
- correspond to the underlying accounting records and books of account;
- are able to provide a true and fair view of the issuer's statement of financial position and results of operations and of the Group of companies included in the consolidation.

Lastly, they certify that the interim report on operations contains references to important events that took place in the first six months of the year and their impact on the half-year condensed consolidated financial statements, together with a description of the principal risks and uncertainties in the remaining six months of the year, as well as information on significant related party transactions.

Treviso, 28 July 2017

Fabio de' Longhi
Chief Executive Officer

Stefano Biella
Financial Reporting Officer

Review report on the interim condensed consolidated financial statements **(Translation from the original Italian text)**

To the Shareholders of
De'Longhi S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position as of June 30, 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity, the consolidated statement of cash flow and the related explanatory notes of De'Longhi S.p.A. and its subsidiaries (the "De'Longhi Group"). The Directors of De'Longhi S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of De'Longhi Group as of June 30, 2017 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Verona, July 31, 2017

EY S.p.A.

Signed by: Daniele Tosi, Partner

This report has been translated into the English language solely for the convenience of international readers

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

De'Longhi S.p.A.

Registered office: Via L. Seitz, 47 – 31100 Treviso
Share capital: Eur 224,250,000 (*subscribed and fully paid*)
Tax ID and Company Register no: 11570840154
Treviso Chamber of Commerce no. 224758
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