DēLonghi Group

Interim financial report at 30 September 2017

DēLonghi KENWOOD BRAUN Ariete

Company officers *

Board of Directors

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

EY 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

Consolidated results

The quarter

(€/million)	3rd quarter 2017	% revenues	3rd quarter 2016	% revenues	Change	% Change
Revenues	428.8	100.0%	387.2	100.0%	41.6	10.7%
Net industrial margin	205.5	47.9%	189.9	49.0%	15.6	8.2%
EBITDA before non-recurring expenses	53.8	12.5%	51.6	13.3%	2.1	4.2%
EBIT	35.4	8.3%	37.9	9.8%	(2.5)	(6.7%)
Profit (loss) pertaining to the Group	33.4	7.8%	22.6	5.8%	10.7	47.5%

The 9 months

(€/million)	30.09.2017	% revenues	30.09.2016	% revenues	Change	% Change
Revenues	1,256.4	100.0%	1.159.1	100.0%	97.3	8.4%
Net industrial margin	601.8	47.9%	571.7	49.3%	30.1	5.3%
EBITDA before non-recurring expenses	159.1	12.7%	158.2	13.6%	0.9	0.6%
EBIT	111.7	8.9%	117.7	10.2%	(6.0)	(5.1%)
Profit (loss) pertaining to the Group	89.5	7.1%	72.1	6.2%	17.5	24.2%

Consolidated result like – for – like (*)

The quarter

(€/million)	3rd quarter 2017	% revenues	3rd quarter 2016	% revenues	Change	% Change
Revenues	418.8	100.0%	386.5	100.0%	32.3	8.4%
Net industrial margin	203.8	48.7%	189.4	49.0%	14.4	7.6%
EBITDA before non-recurring expenses	52.8	12.6%	51.2	13.2%	1.6	3.2%
EBIT	36.8	8.8%	37.4	9.7%	(0.7)	(1.9%)

The 9 months

(€/million)	30.09.2017	% revenues	30.09.2016	% revenues	Change	% Change
Revenues	1,230.1	100.0%	1.158.4	100.0%	71.7	6.2%
Net industrial margin	599.7	48.8%	571.2	49.3%	28.5	5.0%
EBITDA before non-recurring expenses	159.2	12.9%	157.7	13.6%	1.5	1.0%
EBIT	114.6	9.3%	117.2	10.1%	(2.6)	(2.2%)

(*) The like-for-like figures are shown net of the effects of the consolidation of new companies, mainly NPE S.r.l. included in the scope of consolidation starting from September 2016.

Statement of financial position

(€/million)	30.09.2017	30.09.2016	31.12.2016
Net working capital	352.8	263.1	253.7
Net capital employed	859.9	726.9	706.4
Net financial assets	75.6	159.3	307.6
of which:			
- *Net bank financial position*	*89.9*	*197.8*	*307.5*
- *Other financial receivables/(payables)*	*(14.3)*	*(38.5)*	*0.1*
Net equity	935.4	886.2	1.014.0
Net working capital/Net revenues	18.2%	14.3%	13.8%

Introduction

This report contains the unaudited consolidated results at 30 September 2017.

The financial results as of Septembre 30, 2017 are published in accordance to the decision of the Board of Directors that determined to continue to approve and publish, on a voluntary basis and in addition to the annual and half-year financial reports as per article 154-ter, paragraph 1 and 2 of D. Lgs. n. 58/1998 ("TUF"), the interim reports within the terms and in the manner usually adopted by the Company.
The adopted communication policy, until a different determination by the Board of Directors, stipulates that the content of the interim reports shall be the same published in the past and it refers, in particular, to financial year 2016.

Performance review and significant events

The De'Longhi Group's revenues accelerated in the third quarter of 2017 (+10.7%) driven by the good results achieved in all commercial areas (above all in the United States/Canada, China and Russia) and the continuous support of coffee which posted growth of 21.1%.
Revenues in the first nine months of 2017 confirmed the expectations for growth of the Group's business and rose €97.3 million (+8.4%) against the comparison period to €1,256.4 million. The increase is attributable to the intensified advertising and promotional activities aimed at supporting growth of the coffee segment and of the regions where the investments were made.
This performance reflects 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 positive performance of revenues was supported by higher sales volumes in a few key markets and also benefitted from the inclusion of NPE S.r.l. in the scope of consolidation, as well as the positive exchange effect linked to the strengthening of the main export currencies, with a limited number of exceptions (the British pound and the Japanese yen); the positive exchange effect was partially offset by a negative price effect linked also to repositioning in a few markets.
Like-for-like, revenues rose 6.2% compared to the first nine months of 2016 to €1,230.1 million and 8.4% in the third quarter alone to €418.8 million.

At constant exchange rates revenues would have amounted to €1,246.9 million, an increase of 7.2% against the same period of 2016.

The main growth driver was coffee which rose by €78.8 million (+17.8%) and went from 38% to 41% of revenues thanks to increased sales of both fully automatic (+€35.6 million) and Nespresso (+€31.3 million) machines; the latter benefitted from the launch of the complete line of products in the United States and Switzerland, as well as the initial sales of the new *Lattissima One*.
Comfort benefitted from the good performance of air conditioning products and a favorable season for heating.
The food preparation segment was down as the robust sales for handblenders failed to offset the drop in sales of a few products.

Growth, albeit of varying intensity, was posted in all the commercial areas. The United States/Canada, Russia and China were particularly noteworthy. Revenues in Europe rose 7.0% (+€54.4 million) thanks mainly to the contribution of the North East, where good results were recorded, along with Russia, Poland and Scandinavia.
In the South West positive results were recorded in Switzerland, thanks to the introduction of the complete line of Nespresso products, and in France.
The performance improved in the MEIA region (+€2.6 million or +2.8%), where sales recovered above all in the United Arab Emirates, Saudi Arabia and Egypt, despite the weakening of the dollar in the last quarter, driven by the reorganization underway.
Good results were reported in the APA region (+€40.3 million or +14.0%) which benefitted from the above mentioned increase in sales in the United States/Canada, due also to the launch of the complete Nespresso line, and in Greater China thanks to the commercial strategies implemented in the year.

The net industrial margin rose €30.1 million against the first nine months of 2016 to €601.8 million and went from 49.3% 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 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 €599.7 million or 48.8% of revenues.
The increase, in absolute terms, of the industrial margin did not translate into higher EBITDA as it was offset by higher operating costs: the forecast increase in promotional and advertising expenses to support growth (€11 million higher), the higher supply chain costs linked to the increased volumes transported and tariffs, increased stock in preparation for the sales flow expected in the last quarter, as well as the costs connected to stock options plans (which amounted to €2.8 million in the first nine months).

EBITDA before non-recurring costs amounted to €159.1 million (€158.2 million in the first nine months of 2016), and went from 13.6% of revenues to 12.7%.
Like-for-like, EBITDA would have amounted to €159.2 million (compared to €157.7 million in the same period of 2016) or 12.9% of revenues.

EBIT amounted to €111.7 million in the first nine months of 2017 or 8.9% of revenues (€117.7 million or 10.2% of revenues in the same period of 2016), after amortization and depreciation of €43.2 million, higher with respect to the first nine months of 2016 explained by the recent investments made in production which are now operating at capacity and the write-downs of a few assets. Like-for-like EBIT would have amounted to €114.6 million.

Profit pertaining to the Group amounted to €89.5 million in the first nine months of 2017 (€72.1 million in the same period of 2016) after tax of €18.3 million (€25.0 million in 2016) which reflects lower corporate income tax (*IREP*) in Italy and the patent box incentives (tax incentives on income from patents, trademarks and inventions) as a result of an agreement signed with the tax authorities for the period 2015-2019.

The net financial position came to a positive €75.6 million at 30 September 2017 (versus €159.3 million at 30 September 2016), €89.9 million of which relating to the net position with banks (€197.8 million at 30 September 2016). The twelve month comparison with the net position with banks shows a decrease of €107.9 million (in the prior twelve month period an improvement of €108.0 million was posted) linked to non-recurring cash-outs, the most important of which include the new investment plan (enhancement of 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 €93.3 million in the last twelve months (€190.0 million in the previous twelve months).

Net working capital was €89.6 million higher at 30 September 2017 compared to 30 September 2016 due mainly to the consolidation of NPE S.r.l., the increase in sales (which accelerated in the third quarter of the year), as well as the decision to increase inventories in a few markets in order to support the sales forecast for the last months of the year.

Gorup results

The reclassified consolidated income statement is summarized as follows:

(€/million)	30.09.2017 (9 months)	% reveneus	30.09.2016 (9 months)	% reveneus
Reveneus	**1,256.4**	**100.0%**	**1,159.1**	**100.0%**
Change 2017/2016			*97.3*	*8.4%*
Materials consumed & other production costs (production services and payroll costs)	(654.6)	(52.1%)	(587.4)	(50.7%)
Net industrial margin	**601.8**	**47.9%**	**571.7**	**49.3%**
Costs for services and other expenses	(309.2)	(24.6%)	(288.2)	(24.9%)
Payroll (non - production)	(133.5)	(10.6%)	(125.3)	(10.8%)
EBITDA before non-recurring expenses	**159.1**	**12.7%**	**158.2**	**13.6%**
Change 2017/2016			*0.9*	*0.6%*
Other non-recurring expenses	(4.3)	(0.3%)	(3.7)	(0.3%)
EBITDA	**154.8**	**12.3%**	**154.5**	**13.3%**
Amortization	(43.2)	(3.4%)	(36.8)	(3.2%)
EBIT	**111.7**	**8.9%**	**117.7**	**10.2%**
Change 2017/2016			*(6.0)*	*(5.1%)*
Financial income (expenses)	(19.1)	(1.5%)	(20.4)	(1.8%)
Non-recurring financial income (expenses)	15.3	1.2%	-	0.0%
Profit (loss) before taxes	**107.8**	**8.6%**	**97.3**	**8.4%**
Income taxes	(18.3)	(1.5%)	(25.0)	(2.2%)
Profit (loss) after taxes	**89.5**	**7.1%**	**72.4**	**6.2%**
Profit (loss) pertaining to minority interests	-	-	0.3	0.0%
Profit (loss) pertaining to the Group	**89.5**	**7.1%**	**72.1**	**6.2%**

Net revenues amounted to €1,256.4 million in the first nine months of 2017, an increase of 8.4% with respect to the same period of 2016 (€1,159.1 million).
Revenues benefitted from the change in the scope of consolidation linked to the acquisition of NPE S.r.l.; like-for-like, revenues would have amounted to €1,230.1 million, an increase of 6.2% driven by the excellent sales performance recorded in a few key markets, above all in the United States/Canada (+ €18.9 million), Russia (+ €18.2 million) and China (+ €5.8 million).
The exchange effect was also positive for €13.6 million; at constant exchange rates, therefore, growth would have amounted to €83.7 million (+7.2%).
Organic growth was boosted by both the increase in volumes and a favorable mix, which offset the negative price effect in a few markets.

The net industrial margin rose €30.1 million against the same period of 2016 to €601.8 million and went from 49.3% 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 €599.7 million or 48.8% of revenues.

EBITDA before non-recurring costs came to €159.1 million or 12.7% of revenues (€158.2 million or 13.6% of revenues in the first nine months of 2016). The performance reflects 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 €159.2 million (12.9% of revenues), higher than in the same period of the prior year, despite larger investments in advertising and promotional campaigns (€11.1 million), as well as higher supply chain costs due to increased procurement and higher tariffs.

EBIT amounted to €111.7 million in the first nine months of 2017 or 8.9% of revenues (€117.7 million or 10.2% of revenues in the same period of 2016), after amortization and depreciation of €43.2 million, higher with respect to the first nine months of 2016 (€36.8 million) explained by the investments made which are now operating at capacity.
Like-for-like, EBIT would have amounted to €114.6 million.

Financial expenses fell from the €20.4 million recorded in the first nine months of 2016 to €19.1 million in the same period of 2017, thanks also to lower financial discounts.
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 €89.5 million in the first nine months of 2017 (€72.1 million in the same period of 2016) after tax of €18.3 million (€25.0 million in 2016); the lower tax rate is attributable to lower corporate income tax (*IREP*) in Italy and the patent box incentives (tax incentives on income from patents, trademarks and inventions) as a result of an agreement signed with the tax authorities for the period 2015-2019.

Markets

The following table summarized sales perfomance in the Group's various business regions (Europe, APA and MEIA):

(€/million)	30.09.2017	% revenues	30.09.2016	% reveneus	Change	Change %
North East Europe	309.0	24.6%	275.0	23.7%	34.0	12.4%
South West Europe	522.9	41.6%	502.5	43.3%	20.4	4.1%
EUROPE	**831.9**	**66.2%**	**777.4**	**67.1%**	**54.4**	**7.0%**
MEIA (Middle East/India/Africa)	**95.7**	**7.6%**	**93.1**	**8.0%**	**2.6**	**2.8%**
United States and Canada	121.1	9.6%	102.2	8.8%	18.9	18.5%
Australia and New Zealand	76.9	6.1%	72.6	6.3%	4.3	5.9%
Japan	32.5	2.6%	30.7	2.6%	1.9	6.0%
Other countries area APA	98.3	7.8%	83.1	7.2%	15.2	18.3%
APA (Asia/Pacific/Americas)	**328.8**	**26.2%**	**288.6**	**24.9%**	**40.3**	**14.0%**
Total revenues	**1,256.4**	**100.0%**	**1,159.1**	**100.0%**	**97.3**	**8.4%**

All commercial areas posted a positive performance in the first nine months of 2017, albeit with different dynamics.
Revenues in Europe (€831.9 million) were +7.0% higher than in the first nine months of 2016; in the first nine months of 2017 sales in the North East were up compared to the prior year (+12.4%) thanks to the strong growth posted, above all, in Russia (+€18.2 million) and Poland (+€9.6 million).
In the second and third quarters of 2017 significant growth in volumes was recorded in Russia where price adjustments were made in order to be more competitive.

In the South East sales were 4.1% higher than in the first nine months of 2016 thanks to the positive performance in France and Switzerland, which benefitted from the introduction of the complete line of Nespresso products.

The positive trend reversal, already discussed in relation to the half-year results, was confirmed in the MEIA region where revenues rose 2.8%, also as a result of the positive exchange effect, in an environment in which a few markets continue to operate under uncertain economic conditions.

Positive results were posted in the APA region (+ €40.3 million or +14.0%), above all in North America and Greater China thanks also to the positive exchange effect. Growth in the United States was driven by the launch of the complete Nespresso brand line, as well as the expanded distribution of Braun products and to the good performance of portable air conditioners. Growth in China was characterized by the increase in online sales and the adjustments to the prices of a few products.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	30.09.2017	30.09.2016	31.12.2016	Change 30.09.17 – 30.09.16	Change 30.09.17 – 31.12.16
- Intangible assets	322.4	325.8	327.8	(3.4)	(5.3)
- Property, plants and equipment	231.1	192.3	196.5	38.7	34.6
- Financial assets	27.1	7.9	8.0	19.2	19.1
- Deferred tax assets	45.1	48.3	38.4	(3.3)	6.7
Non-current assets	**625.7**	**574.4**	**570.7**	**51.3**	**55.0**
- Inventories	466.5	433.9	320.8	32.6	145.7
- Trade receivables	261.0	194.5	372.8	66.5	(111.8)
- Trade payables	(322.4)	(305.9)	(365.3)	(16.4)	43.0
- Other payables (net of receivables)	(52.3)	(59.3)	(74.5)	7.0	22.2
Net working capital	**352.8**	**263.1**	**253.7**	**89.6**	**99.0**
Total non-current liabilities and provisions	**(118.6)**	**(110.6)**	**(118.0)**	**(8.0)**	**(0.6)**
Net capital employed	**859.9**	**726.9**	**706.4**	**133.0**	**153.4**
(Net financial assets)	**(75.6)**	**(159.3)**	**(307.6)**	**83.7**	**232.1**
Total net equity	**935.4**	**886.2**	**1,014.0**	**49.3**	**(78.6)**
Total net debt and equity	**859.9**	**726.9**	**706.4**	**133.0**	**153.4**

In the first nine months of 2017, as part of the development plan for its businesses, the Group made a few important investments including to enhance production at the Romanian plant, purchase the real estate complex in Treviso and take out equity stakes, relating mainly to the acquisition of Eversys.

Net working capital amounted to €352.8 million at 30 September 2017, up against 30 September 2016 in both absolute terms (+89.6 million) and as a percentage of rolling revenues (14.3% in September 2016 versus 18.2% in September 2017). The increase is largely attributable to the growth posted in the last quarter, decreased factoring, higher inventories in a few markets in order to support the sales flow expected in the last quarter of the year and the consolidation of NPE.

Details of the net financial position are as follows:

(€/million)	30.09.2017	30.09.2016	31.12.2016	Change 30.09.17 – 30.09.16	Change 30.09.17 – 31.12.16
Cash and cash equivalents	490.3	328.9	461.4	161.4	28.9
Other financial receivables	14.9	8.5	25.7	6.4	(10.8)
Current financial debt	(120.5)	(65.2)	(108.3)	(55.3)	(12.2)
Net current financial position	**384.7**	**272.1**	**378.8**	**112.6**	**5.9**
Non-current financial debt	**(309.1)**	**(112.8)**	**(71.2)**	**(196.3)**	**(237.9)**
Total net financial position	**75.6**	**159.3**	**307.6**	**(83.7)**	**(232.1)**
Of which:					
- Position with banks and other financial payables	*89.9*	*197.8*	*307.5*	*(107.9)*	*(217.6)*
- Financial assets/(liabilities) other than bank debt (fair value of derivatives, financial debt related to business combinations and pension funds)	*(14.3)*	*(38.5)*	*0.1*	*24.2*	*(14.4)*

The net financial position came to a positive €75.6 million at 30 September 2017 (versus €307.6 million at 31 December 2016 and €159.3 million at 30 September 2016).
There was a noticeable increase in non-current financial debt at 30 September 2017 as a result of the two loans received for a total of €195 million described in the Half-Year Financial Report at 30 June 2017.

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 €14.3 million at 30 September 2017 (negative for €38.5 million at 30 September 2016 and positive for €0.1 million at 31 December 2016).
Net of these items, the net position with banks reached €89.9 million at 30 September 2017, with cash flow reaching a negative €217.6 million in the first nine months (negative €12.2 million in the first nine months of 2016), explained primarily by the investment plan described above, the higher dividends paid, lower factoring of receivables, as well as the negative cash flow pertaining to NPE S.r.l. and subsequent operating activities.
Excluding these items, cash flow would have been positive for €3.7 million in the first nine months (versus €87.8 million in the first nine months of 2016).
The twelve month comparison with the net financial position at 30 September 2016 reflects the same non-recurring flows. Cash absorption reached €107.9 million (compared to positive cash flow of €108.0 million in the previous 12-month period); normalized cash flow would have amounted to €93.3 million (€190.0 million in the previous 12-month period).

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

(€/million)	**30.09.2017 (9 months)**	**30.09.2016 (9 months)**	**31.12.2016 (12 months)**
Cash flow by current operations and changes in working capital	27.3	107.1	243.0
Cash flow by investment activities	(109.1)	(35.9)	(55.1)
Cash flow by operating activities	**(81.9)**	**71.2**	**187.9**
Dividends paid	(119.6)	(65.8)	(65.8)
Cash flow by changes in cash flow hedge reserves	(14.9)	(12.9)	4.2
Cash flow by other changes in net equity	(15.7)	(22.1)	(7.5)
Cash flow absorbed by changes in net equity	**(150.2)**	**(100.7)**	**(69.1)**
Cash flow for the period	**(232.1)**	**(29.5)**	**118.8**
Opening net financial position	307.6	188.9	188.9
Closing net financial position	**75.6**	**159.3**	**307.6**

Here follows the statement of comprehensive income in the nine months:

(€/million)	**30.09.2017**	**30.09.2016**
Profit for the period	**89.5**	**72.4**
Other components of comprehensive income:		
- Change in fair value of cash flow hedges and available-for-sale financial assets	(14.8)	(13.2)
- Tax effect of change in fair value of cash flow hedges and available-for-sale financial assets	2.9	3.0
- Differences from translating foreign companies' financial statement into Euro	(34.1)	(15.7)
Total other components of comprehensive income that will subsequently be reclassified to the profit (loss) for the year	(46.1)	(26.0)
Total other components of comprehensive income that will not subsequently be reclassified to profit (loss) for the year	-	-
Total comprehensive income for the period	**43.5**	**46.4**
Total comprehensive income attributable to:		
Parent company shareholders	43.5	46.1
Minority interests	-	0.3

Here follow the main changes in net equity:

(€/million)	Group portion of net equity	Minority interests in net equity	Total net equity
Net equity at 1 January 2016	**902.9**	**3.0**	**905.9**
Dividend distribution	(65.8)	(0.3)	(66.1)
Total comprehensive income for the period	46.1	0.3	46.4
Net equity at 30 September 2016	**883.2**	**3.0**	**886.2**
Net equity at 1 January 2017	**1,010.6**	**3.4**	**1,014.0**
Dividend distribution	(119.6)	-	(119.6)
Fair Value stock option	2.8	-	2.8
Other changes in minority interests	(1.8)	(3.4)	(5.2)
Total comprehensive income for the period	43.5	-	43.5
Net equity at 30 September 2017	**935.4**	**-**	**935.4**

Content of the interim financial report and alternative performance indicators

The income statement figures refer to the period ending on 30 September 2017, with comparatives at 30 September 2016. The statement of financial position figures refer to 30 September 2017, 30 September 2016 and 31 December 2016.
This report includes details of any significant transactions, including those with related parties.
The key performance indicators presented herein are comparable with the reclassified statements presented in the report on operations contained in the half-year and annual financial reports.

The consolidated figures have been prepared using the same consolidation procedures and accounting policies as those described in the annual financial report, to which the reader should refer.
The consolidated financial figures were prepared using the same accounting policies as those used to prepare the consolidated financial statements at 31 December 2016.

The figures contained in the present document, including some of the percentages, have been rounded relative to their full Euro amount. As a result, some of the totals in the tables may differ from the sum of the individual amounts presented.

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

More in detail, the non-GAAP measures used include:
- 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, which include the notional cost of the stock option plan.
- 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.

Other information

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

Subsequent events

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

Outlook

The third quarter delivered a progression of volumes in line with the management's expectations and consistent with the Group's augmented commitment to renovate the product portfolio, to increase the communication activity and the investments on strengthening the distribution network and the European manufacturing platform.
The main pillars of this development, i.e. espresso coffee machines and the re-launch of Braun, together with the steady growth in the USA, China, Russia and Eastern Europe, are supporting the achievement of the guidance for 2017 (organic revenues growing at a mid-single-digit rate and EBITDA increasing in absolute value), so making the Group feel confident when facing the fourth quarter.

Treviso, 9 November 2017

For the Board of Directors
Vice Chairman and Chief Executive Officer

Fabio de' Longhi

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Declaration by the Financial Reporting Officer

Pursuant to art. 154-bis para. 2 of TUF, Stefano Biella, the Financial Reporting Officer, declares that the accounting information contained in the present interim financial report corresponds to the underlying documentary and accounting records.

Treviso, 9 November 2017

Financial Reporting Officer

Stefano Biella

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This interim 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
V.A.T. no.: 03162730265