HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2018

DēLonghi Group

Contents

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
Massimiliano Benedetti**	Director

Board of Statutory Auditors

Cesare Conti	Chairmam
Paola Mignani	Standing member
Piera Tula *	Standing member
Alberta Gervasio	Alternate auditor

External Auditors

EY S.p.A. ***

Contol, Risks and Corporate Governance Committee

Renato Corrada **

Silvio Sartori

Stefania Petruccioli**

Remuneration and Appointments 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; the number of the members of the Board of Directors was increased with the appointment by the Shareholders' meeting of 19 April 2018 of Mr. Massimiliano Benedetti who will be in office until the expiry of the Board.
Effective 2 June 2018, Piera Tula has substituted Gianluca Ponzellini as Standing Auditor.
** 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

Results for Continuing Operations[*]

(€/million)	2nd quarter 2018	% revenues	2nd quarter 2017[**]	% revenues	Change	Change %
Revenues[**]	452.1	100.0%	431.6	100.0%	20.5	4.7%
Revenues at constant exchange rates	*471.8*	*100.0%*	*430.6*	*100.0%*	*41.2*	*9.6%*
Net industrial margin	209.0	46.2%	208.8	48.4%	0.2	0.1%
EBITDA before non-recurring / stock option costs	55.7	12.3%	54.0	12.5%	1.7	3.2%
EBIT	38.6	8.5%	38.9	9.0%	(0.3)	(0.8%)
Profit (loss) pertaining to the Group	29.5	6.5%	32.0	7.4%	(2.5)	(7.7%)

(€/million)	1st half 2018	% revenues	1st half 2017[**]	% revenues	Change	Change %
Revenues [**]	854.7	100.0%	816.7	100.0%	38.0	4.6%
Revenues at constant exchange rates	*895.1*	*100.0%*	*815.8*	*100.0%*	*79.3*	*9.7%*
Net industrial margin	407.1	47.6%	401.1	49.1%	5.9	1.5%
EBITDA before non-recurring /stock option costs	109.1	12.8%	106.5	13.0%	2.6	2.5%
EBIT	77.9	9.1%	77.9	9.5%	0.0	0.0%
Profit (loss) pertaining to the Group	55.9	6.5%	57.5	7.0%	(1.5)	(2.7%)

Consolidated results

(€/million)	2nd quarter 2018	% revenues	2nd quarter 2017	% revenues	Change	Change %
Revenues[**]	461.4	100.0%	439.8	100.0%	21.5	4.9%
EBITDA before non-recurring / stock option costs	55.8	12.1%	53.1	12.1%	2.6	5.0%
Profit (loss) pertaining to the Group	29.2	6.3%	31.1	7.1%	(1.9)	(6.1%)

(€/million)	1st half 2018	% revenues	1st half 2017[**]	% revenues	Change	Change %
Revenues[**]	873.8	100.0%	833.1	100.0%	40.7	4.9%
EBITDA before non-recurring / stock option costs	109.5	12.5%	105.3	12.6%	4.2	4.0%
Profit (loss) pertaining to the Group	55.6	6.4%	56.2	6.7%	(0.5)	(1.0%)

(*) In accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, in light of the industrial partnership agreement which called for the sale of the controlling interest of NPE S.r.l., in this report figures of continuing operations refer to the results for the consolidation perimeter excluding NPE S.r.l.

(**) For the sake of comparison with other closing, the comparison figures for 2017 (both related to second quarter and first half) were adjusted with respect to prior financial reports in order to reflect the reclassification of a few commercial components of revenue and operating costs.

Statement of financial position

(€/million)	30.06.2018 Consolidated figures	30.06.2018 *Continuing Operations (*)*	30.06.2017 Consolidated figures (**)	30.06.2017 *Continuing Operations (*)*	31.12.2017 Consolidated figures	31.12.2017 *Continuing Operations (*)*
Net working capital	276.2	264.9	289.9	271.9	267.9	257.8
Net capital employed	799.6	781.8	786.2	763.6	788.2	772.7
Net financial assets	138.3	155.9	129.9	154.1	233.5	250.6
of which:						
- *Net bank financial position*	*139.3*	*157.0*	*140.2*	*161.4*	*254.1*	*271.1*
- *Other financial receivables/(payables)*	*(1.0)*	*(1.0)*	*(10.2)*	*(7.3)*	*(20.5)*	*(20.5)*
Net equity	937.8	937.7	916.1	917.7	1,021.7	1,023.3
Net working capital/Net revenues	13.7%	13.2%	15.2%	14.4%	13.3%	13.1%

(*) In accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, in light of the industrial partnership agreement which called for the sale of the controlling interest of NPE S.r.l., in this report figures of continuing operations refer to the results for the consolidation perimeter excluding NPE S.r.l.

(**) Comparative statement of financial position at 30 June 2017 was redetermined following the final accounting of the business combination relating to NPE s.r.l. as required by IFRS 3 – *Business Combinations*.

INTERIM REPORT ON OPERATIONS

PERFORMANCE REVIEW [1]

The De'Longhi Group closed the first half of 2018 with good growth in revenues, confirming the trend seen in the first quarter; sales rose 4.6% compared to the same period 2017 to € 854.7 million, despite the strong impact that the weakening of a few of the main currencies (mainly the US dollar, Ruble and Australian dollar) had. In organic terms growth would have reached 9.7%.

Revenues benefitted from the increase in sales volumes, above all for coffee machines, which more than offset the negative price effect linked to the repositioning of specific products in a few markets.

The Group recorded positive organic growth in all the commercial areas, though the strengthening of the Euro impacted a few markets (above all in the APA and MEIA regions).
Revenues in Europe rose 5.9% (+€31.2 million); sales increased 8.8% (+14.0% in organic terms) in the North East Europe thanks above all to the contribution of Russia, Ukraine and the other CIS countries which more than offset the persistently weak sales in the United Kingdom. Revenues rose 4.3% in South West Europe due mainly to the excellent sales recorded in Austria and Switzerland (which benefitted from the expanded Nespresso business).
Revenues increased 4.4% in the APA region (+14.2% at constant exchange rates) thanks to the good performance recorded in the United States/Canada driven by comfort, which performed well thanks to a good season for heating products, as well as coffee, and in Japan.
Sales in the MEIA region rose 5.0% in organic terms thanks to the good results posted in the main markets.

As for product families, sales of coffee machines continued at a robust pact (rising by around +18.0% overall) driven by the sale of internally manufactured fully automatic and Nespresso machines despite the interruption in the distribution of DolceGusto machines in a few markets where, however, profitability is low.

The net industrial margin rose €5.9 million against the first half of 2017 to €407.1 million and went from 49.1% to 47.6% of revenues in the first half of 2018 due mainly to the above mentioned negative price effect, costs and the exchange effect.

EBITDA before non-recurring/stock option costs amounted to €109.1 million, an increase of €2.6 million or +2.5% against the first half of 2017, and went from 13.0% of revenues to 12.8%. The result reflects the above mentioned operational effects, as well as the adverse exchange effect linked to the comparison with the first half of 2017. Like-for-like, EBITDA before non-recurring items would have been €7.4 million higher than in the first half of 2017.
EBITDA after stock option costs of €1.9 million and the non-recurring costs connected to the commercial restructuring underway of €2.2 million, amounted to €105.0 million, basically in line with the first half of 2017.

EBIT amounted to €77.9 million, in line with the first six months of 2017.

Financial expenses decreased by €2.1 million due, above all, to gains from financial and currency management.
In the first half of 2017 "Net non-recurring financial income" included the gain recorded linked to the change in the fair value of the earn-out payable as a result of the Braun Household acquisition, net of the costs associated with the termination of the prior "US Private Placement".

Profit generated by continuing operations amounted to €55.9, after taxes for €12.9 million; discontinued operations closed the half with a loss of €0.3 million.

[1] Unless indicated otherwise, the results commented on in this report refer to continuing operations, namely excluding NPE S.r.l. given the industrial partnership being finalized which calls for the sale of the controlling interest in the company; the comparison figures for the first half of 2017 were restated.

Net of the above mentioned non-recurring items (operating and financial, net of the related tax effect) the net profit would have reached €57.6 million in the half, showing an increase of €7.6 million compared to a normalized profit of €50.0 million in the first six months of 2017.

Cash flow by operating activities came to a positive €44.2 million (negative €22.0 million in the first six months of 2017) thanks mainly to the trend in working capital and decrease in absorption of cash flow by investing activities, which included, in the first half of 2017, the purchase of the interest in the Eversys Group, as well as the significant one-off investments connected mainly to the purchase of the real estate complex in Treviso and the enhancement of the Romanian plant.

The net financial position came to a positive €155.9 million at 30 June 2018 (versus €154.1 million at 30 June 2017; €250.6 million at 31 December 2017), €157.0 million of which relating to the net position with banks (€161.4 million at 30 June 2017, €271.1 million at 31 December 2017).

Despite the increase in the Group's activities, the net working capital was down at 30 June 2018 compared to 30 June 2017 as both a percentage of revenue (from 14.4% to 13.2%) and in absolute terms (-€7.0 million), due to good management of trade receivables (which also benefitted from an increase in factoring without recourse) and a positive exchange effect. Inventory increased due to changes in procurement in preparation for the expected increase in business, but the impact on net working capital was largely neutralized by higher trade payables.

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

After a year of sustained and highly synchronized growth, the expansion of the world economy slowed slightly in the first half of 2018. The short-term outlook for the world economy, however, is still favorable. The application of higher trade sanctions and broader protectionism represent some of the biggest threats to world economic growth. Any protectionist measures could have a negative effect on global demand due to the immediate impact on world trade, as well as on confidence and business investments.

Solid and generalized expansion continued in the different Euro zone countries and sectors, despite the slowdown recorded in the past few months. The ECB's monetary policies, which helped to reduce financial leverage, continued to support internal demand. Private consumption was fueled by increases in employment linked, in part, to labor market reforms and the increase in family's disposable income. Business investments benefitted from favorable financial conditions, higher corporate profits and solid demand. The ECB's Governing Council decided to interrupt the APP program while, however, guaranteeing accommodative conditions in the long-term; the ECB's benchmark rates are expected to remain at current levels at least through the end of summer 2019.

Overall unemployment has remained stable; youth unemployment is decreasing gradually. Wages continued to increase, albeit at a modest pace.

Inflation increased, driven by energy prices.

The moderate expansion in private sector loans continued.

As for the different countries, this year activity is expected to pick-up in the United States where the change in the budget policy, including the tax reform and the two-year budget deal, is expected to enhance growth prospects.

The economic future of the United Kingdom remains unclear given the general uncertainty linked to Brexit.

Based on the forecasts, economic activity in central and eastern Europe will remain solid, while economic expansion in Japan and China is expected to slow slightly.

Significant events

In the first half of 2018 the Group worked on many fronts in order to support growth. Investments in strengthening the production platform, improving the commercial structures and developing new products continued. Organizational adjustments were also made in light of the changes in the Group's structure and size.

With regard to the production platform, the Group continued to invest in measures designed to support increased sales volumes and leverage on production synergies; toward this end, the one-off investments at the Romanian plant were basically completed and investments in improving the production layout at the Mignagola plant in Italy, as well the main plant in China, continued.

As for the Supply Chain, in 2018 more work was done on the new centralized warehouse in Northern Europe which will be used by a few of the Group's European companies with a view to obtaining synergies and improving control of working capital.

During the first half of 2018 further steps were taken for sales network by increasing local distribution in a few markets.
In Mexico, for example, work was done on direct distribution in this market which, for the moment, will focus on specific product categories: comfort, coffee machines and Braun brand handblenders.
Currently research and analysis is being carried out in a few markets in order to find the best business model and develop a number of Digital projects.

In terms of organizational development, implementation of the Group's new organizational structure, begun in September 2016, continued. The new structure calls for simplified first-level reporting lines to the Group CEO, resulting in the creation of simplified, cohesive areas of responsibility which report directly to the Group CEO.
The purpose of the new model is to prepare the Group for future challenges in order to grow and expand. It is motivated by the desire to simplify the chain of command in order to foster a much quicker and more efficient decision making process; further steps were taken subsequently to support the introduction of the changes. Toward this end, in the first half of 2018 organizational changes were made in the Group's commercial and marketing divisions and in operations which resulted in the revision of the responsibilities of a few commercial areas and changes in the organization of a few operational divisions.

In the first half further investments were made in the new building being built at the Treviso headquarters which will house R&D and corporate divisions. The execution phase of the project started in the second quarter of 2018.

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	1st half 2018	% revenues	1st half 2017	% revenues
CONTINUING OPERATIONS				
Revenues	**854.7**	**100.0%**	**816.7**	**100.0%**
Change	*38.0*	*4.6%*		
Materials consumed & other production costs (production services and payroll costs)	(447.6)	(52.4%)	(415.6)	(50.9%)
Net industrial margin	**407.1**	**47.6%**	**401.1**	**49.1%**
Services and other operating expenses	(209.9)	(24.6%)	(206.2)	(25.2%)
Payroll (non-production)	(88.1)	(10.3%)	(88.5)	(10.8%)
EBITDA before non-recurring / stock option costs	**109.1**	**12.8%**	**106.5**	**13.0%**
Change	*2.6*	*2.5%*		
Other non-recurring expenses / stock option costs	(4.1)	(0.5%)	(1.8)	(0.2%)
EBITDA	**105.0**	**12.3%**	**104.7**	**12.8%**
Amortization	(27.1)	(3.2%)	(26.8)	(3.3%)
EBIT	**77.9**	**9.1%**	**77.9**	**9.5%**
Change	*0.0*	*0.0%*		
Financial income (expenses)	(9.1)	(1.1%)	(11.1)	(1.4%)
Non-recurring financial income (expenses)	-	-	9.9	1.2%
Profit (loss) before taxes	**68.8**	**8.1%**	**76.6**	**9.4%**
Income taxes	(12.9)	(1.5%)	(19.1)	(2.3%)
Net profit of *continuing operations*	**55.9**	**6.5%**	**57.5**	**7.0%**
DISCONTINUED OPERATIONS				
Net profit / (loss) of *discontinued operations*	(0.3)		(1.3)	
Profit (loss) pertaining to the Group	**55.6**	**6.4%**	**56.2**	**6.7%**

The net industrial margin reported in the reclassified income statement differs by Euro 81.9 million in the first half 2018 (Euro 74.0 million in the first half 2017) 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 above consolidated income statement.

Net revenues amounted to €854.7 million in the first half of 2018, an increase of 4.6% with respect to the same period of the prior year (€816.7 million). The increase was partially offset by the weakening of some of the main currencies (primarily the US dollar, the Ruble and the Australian dollar). In organic terms growth would have reached 9.7%. Growth was driven by a significant increase in volumes, which more than offset the negative price effect linked to the repositioning of specific products in a few markets. The mix was favorable and supported a positive sales performance which confirmed, once again, the success of the coffee product family, particularly the fully automatic machines.
Organic growth was posted in all the commercial areas, with the sole exception of MEIA which was impacted by a particularly adverse exchange effect.

The net industrial margin amounted to €407.1 million in the first six months of 2018, an increase of €5.9 million against the same period of the prior year and went from 49.1% of revenue in the first half of 2017 to 47.6% in the period under examination. The net industrial margin benefitted from higher volumes, despite an increase in the cost of raw materials and the negative exchange effect.

EBITDA before non-recurring/stock option costs amounted to €109.1 million (12.8% of revenues), an increase of €2.6 million compared to the first six months of the prior year (€106.5 million; 13.0% of revenues) with investments in advertising and promotional activities stable.
Net of the exchange effect, EBITDA before non-recurring costs would have been €7.4 million higher than in the first half of 2017.

Non-recurring costs linked to the stock option plan of €1.9 million and to the commercial restructuring underway of €2.2 million were recognized in the first half of 2018.
Net of these items, EBITDA came to €105.0 million, basically in line with the first half of 2017 (€104.7 million).

EBIT amounted to €77.9 million, basically in line with the first six months of 2017.

Financial expenses fell by €2.1 million against the first half of 2017 coming in at €9.1 million due, above all, to gains from financial and currency management.
In the first half of 2017 "Net non-recurring financial income" included the gain recorded as a result of the change in the fair value of the earn-out payable as a result of the Braun Household acquisition, net of the costs associated with the termination of the previous USPP.

Tax amounted to €12.9 million in the first half of 2018, net of the patent box incentives (tax incentives on income from patents, trademarks and inventions) as per the agreement signed with the tax authorities for the period 2015-2019.

Profit generated by continuing operations amounted to €55.9 million (€57.5 million in the first half of 2017 which benefitted from non-recurring income of around €7.5 million).
Net of these non-recurring items (relating to finance and operations), the net profit would have reached €57.6 million in the first half of 2018 (+7.6 million against 2017).
Discontinued operations closed the half with a loss of €0.3 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, America). 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 – Business lines

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

(€/million)	1st half 2018	%	1st half 2017	%	Change	Change %
North East Europe	204.2	23.9%	187.6	23.0%	16.6	8.8%
South West Europe	352.5	41.2%	337.9	41.4%	14.6	4.3%
EUROPE	**556.8**	**65.1%**	**525.6**	**64.4%**	**31.2**	**5.9%**
APA (Asia / Pacific / Americas)	**238.5**	**27.9%**	**228.3**	**28.0%**	**10.1**	**4.4%**
MEIA (Middle East / India / Africa)	**59.5**	**7.0%**	**62.8**	**7.7%**	**(3.3)**	**(5.3%)**
Total revenues	**854.7**	**100.0%**	**816.7**	**100.0%**	**38.0**	**4.6%**

In organic terms, all the commercial areas contributed to the good overall performance of revenues which were 4.6% higher than in the first half of 2017. In a few markets organic growth was more contained at current exchange rates due to the strengthening of the Euro against the US dollar and some of the other main currencies.

Sales in Europe rose 5.9% (+8.4% at constant exchange rates) compared to the first six months of 2017 to €556.8 million.
Growth was particularly strong in the North East where revenues amounted to €204.2 million in the first six months of the year, an increase of 8.8% against the comparison period (+14.0% in organic terms). The solid performance is attributable, in particular, to the good performance posted in Russia, Ukraine and other CIS countries where sales of the main product families, fully automatic coffee machines, KW kitchen machines and Braun brand handblenders increased markedly. The good performance in the main countries in this area more than offset weak UK sales.
South West Europe confirmed the Group's growth trend with revenues rising 4.3% against the first half of 2017 to €352.5 million thanks to the good performance posted in Austria and in Switzerland where sales were €13.6 million higher due, above all, to the expanded Nespresso business.

Sales in the APA region increased 14.2% in organic terms, but the unfavorable exchange effect linked above all to the USD and AUD lowered growth to 4.4%. Good results were recorded in the United States/Canada thanks above all to coffee and comfort. On the one hand, heating products benefitted from a particularly cold winter and, on the other, sales for air conditioners got off to a good start. In Japan sales were robust thanks to fully automatic coffee machines and heating products; sales for Braun brand handblenders were also good.
Sales were down in Australia due above all to the negative exchange effect. Coffee performed well in organic terms, with an increase in the market share, while the food preparation segment continues to be very competitive.

Revenues for the MEIA region increased 5.0% in organic terms; the weakening of the dollar, the region's main currency, however, resulted in a 5.3% decline in Euros compared to the first half of 2017. Sales in the United Arab Emirates and Saudi Arabia were good.

As for product families, growth in coffee machine sales was confirmed in the first six months of the year with turnover rising by around +18.0%. Fully automatic and Nespresso machines, especially the models manufactured internally, posted a good performance which was boosted by the new *Lattissima One*, as well as the traditional pump machines, despite the interruption in the distribution of DolceGusto machines in a few markets where, however, profitability is low.

Comfort reported results which were basically in line with the same period of the prior year showing different dynamics within the segment. The trend for heating products was positive thanks to a particularly cold winter, especially in the United States. Sales for air conditioners and purifiers were down due primarily to the adverse exchange effect, while in organic terms the performance was largely unchanged.

The food preparation segment posted results which were in line with the first half of 2017 with revenues rising on an organic level for kitchen machines and deep fryers. With regard to kitchen machines, in the first six months of 2018 the Group began to benefit from the renewal of the product range which resulted in the substitution of all the old models with new products in a market which continues to suffer from the aggressive pricing strategies of the main competitors. Handblenders also reported organic growth thanks to the good results of the *MQ9* and *MQ3* models and despite a difficult market for this segment.

Home care products were down, while sales for irons were positive due to the trend of Braun brand iron steam systems.

Review of the statement of financial position

The reclassified consolidated statement of financial position with reference to the continuing operations only is presented below:

(€/million)	30.06.2018	30.06.2017	31.12.2017	Change 30.06.18 – 30.06.17	Change 30.06.18 – 31.12.17
- Intangible assets	321.4	321.8	320.9	(0.5)	0.4
- Property, plant and equipment	234.5	215.1	233.1	19.4	1.4
- Financial assets	26.9	27.1	26.1	(0.2)	0.9
- Deferred tax assets	36.6	43.4	32.3	(6.8)	4.2
Non-current assets	**619.4**	**607.4**	**612.4**	**12.0**	**6.9**
- Inventories	458.6	406.7	329.7	52.0	128.9
- Trade receivables	247.5	246.2	401.5	1.4	(154.0)
- Trade payables	(380.3)	(322.3)	(366.1)	(58.0)	(14.2)
- Other payables (net of receivables)	(61.0)	(58.6)	(107.4)	(2.3)	46.5
Net working capital	**264.9**	**271.9**	**257.8**	**(7.0)**	**7.2**
Total non-current liabilities and provisions	**(102.5)**	**(115.7)**	**(97.5)**	**13.2**	**(5.1)**
Net capital employed	**781.8**	**763.6**	**772.7**	**18.2**	**9.1**
Net financial assets (*)	**(155.9)**	**(154.1)**	**(250.6)**	**(1.8)**	**94.7**
Total net equity	**937.7**	**917.7**	**1,023.3**	**20.0**	**(85.6)**
Total net debt and equity	**781.8**	**763.6**	**772.7**	**18.2**	**9.1**

(*)Net financial position as at 30 June 2018 includes €1.0 million in net financial liabilities (€ 7.3 million at 30 June 2017 in net financial liabilities; € 20.5 million at 31 December 2017 in net financial liabilities) relating to the fair value of derivatives and the financial debt connected to business combinations and pension fund.

Investments amounted to €76.5 million (€104.9 million in the previous twelve month period) and relate to completion of the Romanian plant expansion, the investments made in production lines and moulds at the Group's plants, the purchase of the headquarters of a foreign branch and the restructuring of the UK headquarters.

Despite the increase in the Group's activities, the net working capital was down at 30 June 2018 compared to 30 June 2017 as both a percentage of revenue (from 14.4% to 13.2%) and in absolute terms (-€7.0 million), due to good management of trade receivables (which also benefitted from an increase in factoring without recourse) and a positive exchange effect. Inventory increased due to changes in procurement in preparation for the expected increase in business, but the impact on net working capital was largely neutralized by higher trade payables.

Details of the net financial position are as follows:

(€/million)	30.06.2018	30.06.2017	31.12.2017	Change 30.06.18 – 30.06.17	Change 30.06.18 – 31.12.17
Cash and cash equivalents	490.0	444.7	664.7	45.3	(174.7)
Other financial receivables	28.2	23.2	8.3	5.0	19.9
Current financial debt	(101.0)	(86.1)	(138.3)	(14.9)	37.4
Net current financial position	**417.3**	**381.9**	**534.7**	**35.4**	**(117.4)**
Non-current financial debt	**(261.3)**	**(227.8)**	**(284.1)**	**(33.5)**	**22.7**
Total net financial position	**155.9**	**154.1**	**250.6**	**1.8**	**(94.7)**
of which:					
- Positions with banks and other financial payables	*157.0*	*161.4*	*271.1*	*(4.5)*	*(114.2)*
- Financial assets/(liabilities) other than bank debt (fair value of derivatives, financial debt connected to business combinations and pension fund)	*(1.0)*	*(7.3)*	*(20.5)*	*6.3*	*19.5*

The net financial position came to a positive €155.9 million at 30 June 2018 (versus €250.6 million at 31 December 2017 and €154.1 million 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 €1.0 million at 30 June 2018 (negative for €7.3 million at 30 June 2017 and €20.5 million at 31 December 2017).
Net of these items, the net position with banks reached €157.0 million at 30 June 2018 with outflows recorded in the half of €114.2 million (versus €152.7 million in the first six months of 2017), explained primarily by the payment of dividends and the investments described above. Excluding these items, a positive balance of €41.0 million would have been recorded (€31.6 million in the first half of 2017); the normalized cash flow would have amounted to €160.1 million in the twelve month period (€126.0 million in the previous twelve month period).

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

(€/million)	**30.06.2018 (6 months)**	**30.06.2017 (6 months)**	**31.12.2017 (12 months)**
Cash flow by current operations	98.9	101.0	277.6
Cash flow by changes in working capital	(26.1)	(48.3)	(67.5)
Cash flow by investment activities	(28.6)	(74.7)	(122.7)
Cash flow by operating activities	**44.2**	**(22.0)**	**87.4**
Dividends paid	(149.5)	(119.6)	(119.6)
Cash flow by changes in *Fair value* and *Cash flow hedge* reserves	6.1	(8.1)	(14.5)
Cash flow by other changes in net equity	4.5	(12.5)	(19.0)
Cash flow absorbed by changes in net equity	**(138.8)**	**(140.1)**	**(153.0)**
Cash flow for the period	**(94.7)**	**(162.2)**	**(65.6)**
Opening net financial position	250.6	316.2	316.2
Closing net financial position	**155.9**	**154.1**	**250.6**

Operating cash flow was impacted by the non-recurring investments made in the half (€4.2 million), as was the first half of 2017 (€45.3 million), described above.
Net of these investments, ordinary cash flow from operations reached a positive €48.4 million in the half (positive for €23.2 million in the first half of 2017), testimony to effective working capital management.

Human resources

The De'Longhi Group had 8,716 employees at 30 June 2018 (figure refers to continuing operations and is compared with 8,271 employees at 30 June 2017), broken down as follows:

	30.06.2018	**30.06.2017**
Blue collar	5,576	5,187
White collar	3,042	2,984
Senior Managers	98	100
Total	**8,716**	**8,271**

The increase in the workforce is explained primarily by trend of employees at production facilities.

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 and stock option 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, 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 severance indemnity and provisions for contingencies and other charges.
- Net debt/(net financial position): this measure represents 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 report, 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.

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

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

(€/thousands)	Net equity 30.06.2018	Profit for 1st half 2018
De'Longhi S.p.A. financial statements	**382,371**	**71,957**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	585,338	(2,406)
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	18,877	(1,204)
Elimination of intercompany profits	(47,449)	(13,041)
Other adjustments	(1,323)	307
Consolidated financial statements	**937,814**	**55,613**
Minority interests	-	-
Group portion	**937,814**	**55,613**

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, paragraphs 8, 71, and 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.

With regard to the main risks and uncertainties to which the Group is exposed, the Report on Corporate Governance and Ownership Structure and anything that is not expressly described in this report, reference should be made to the 2017 Annual Report.

Subsequent events

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

Outlook

In light of the results of the first half, which showed a sustained organic growth trend, the company's management believes that it will be able to achieve, in the current year, an organic growth in revenues and a value of the adjusted Ebitda in line with expectations.

Treviso, 31 July 2018

For the Board of Directors
Vice Chairman and Chief Executive Officer

Fabio de' Longhi

CONSOLIDATED INCOME STATEMENT

(€/000)	Notes	1st half 2018	*of which non-recurring*	1st half 2017	*of which non-recurring*
CONTINUING OPERATIONS					
Revenue from contracts with customers	*1*	844,719		804,411	
Other revenues	*1*	9,992		12,322	
Total consolidated revenues		***854,711***		***816,733***	
Raw and ancillary materials, consumables and goods	*2*	(493,341)		(445,870)	
Change in inventories of finished products and work in progress	*3*	116,610		92,569	
Change in inventories of raw and ancillary materials, consumables and goods	*3*	11,031		11,704	
Materials consumed		***(365,700)***		***(341,597)***	
Payroll costs	*4-8*	(135,020)	*(2,184)*	(123,833)	
Services and other operating expenses	*5*	(241,447)		(245,000)	
Provisions	*6*	(7,548)		(1,624)	
Amortization	*7*	(27,101)		(26,801)	
EBIT		**77,895**	***(2,184)***	**77,878**	
Financial income (expenses)	*9*	(9,066)		(11,136)	
Non recurring financial income (expenses)	*10*	-		9,858	
PROFIT (LOSS) BEFORE TAXES		**68,829**		**76,600**	
Income taxes	*11*	(12,904)		(19,134)	
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		**55,925**		**57,466**	
DISCONTINUED OPERATIONS					
Net profit (loss) from discontinued operation		(312)		(1,306)	
CONSOLIDATED PROFIT (LOSS) AFTER TAXES		**55,613**		**56,160**	
Profit (loss) pertaining to minority interests	*28*	-		-	
PROFIT (LOSS) PERTAINING TO THE GROUP		**55,613**		**56,160**	
EARNINGS PER SHARE (in Euro)	*27*				
- basic		**€ 0.37**		**€ 0.38**	
- diluted		**€ 0.37**		**€ 0.37**	

In accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, in light of the industrial partnership agreement which called for the sale of the controlling interest of NPE S.r.l., in both periods the figures for assets held for sale are shown separately and analyzed in the section Discontinued Operations. In this report Continuing Operations refers to the results for the consolidation perimeter excluding NPE S.r.l..

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 2018	1st half 2017
Consolidated profit (loss)	**55,613**	**56,160**
Other components of comprehensive income from *Continuing Operations*:		
- Change in fair value of cash flow hedges and financial assets available for sale	6,135	(8,053)
- Tax effect on change in fair value of cash flow hedges and financial assets available for sale	(1,446)	1,344
- Differences from translating foreign companies' financial statements into Euro	3,059	(24,323)
Total other comprehensive income will subsequently be reclassified to profit (loss) for the year	***7,748***	***(31,032)***
Total other comprehensive income will not subsequently be reclassified to profit (loss) for the year	-	-
Total components of comprehensive income from *Continuing Operations*	**7,748**	**(31,032)**
Other components of comprehensive income from *Discontinued Operations*:		
- Change in fair value of cash flow hedges	394	-
- Tax effect on change in fair value of cash flow hedges	(95)	-
Total other comprehensive income will subsequently be reclassified to profit (loss) for the year	***299***	-
Total other comprehensive income will not subsequently be reclassified to profit (loss) for the year	-	-
Total components of comprehensive income from *Discontinued Operations*	**299**	**-**
Other components of comprehensive income	**8,047**	**(31,032)**
Total comprehensive income	**63,660**	**25,128**
Total comprehensive income attributables to:		
Owners of the parent	63,660	25,128
Minority interests	-	-

In accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, in light of the industrial partnership agreement which called for the sale of the controlling interest of NPE S.r.l., in both periods the figures for assets held for sale are shown separately and analyzed in the section Discontinued Operations. In this report Continuing Operations refers to the results for the consolidation perimeter excluding NPE S.r.l..

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (€/000)	Notes	30.06.2018	31.12.2017
NON-CURRENT ASSETS			
INTANGIBLE ASSETS		321,359	320,910
- Goodwill	12	92,400	92,400
- Other intangible assets	13	228,959	228,510
PROPERTY, PLANT AND EQUIPMENT		233,303	231,850
- Land, property, plant and machinery	14	142,878	129,476
- Other tangible assets	15	90,425	102,374
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		26,908	26,119
- Equity investments	16	23,740	22,957
- Receivables	17	3,168	3,083
- Other non-current financial assets	18	-	79
DEFERRED TAX ASSETS	19	36,569	32,322
TOTAL NON-CURRENT ASSETS		618,139	611,201
CURRENT ASSETS			
INVENTORIES	20	458,632	329,710
TRADE RECEIVABLES	21	247,527	401,545
CURRENT TAX ASSETS	22	14,956	13,551
OTHER RECEIVABLES	23	35,635	28,023
CURRENT FINANCIAL RECEIVABLES AND ASSETS	24	28,207	8,277
CASH AND CASH EQUIVALENTS	25	490,001	664,724
TOTAL CURRENT ASSETS		1,274,958	1,445,830
ASSETS RELATED TO *DISCONTINUED OPERATIONS*		40,859	37,186
Elimination of financial receivables from *DISCONTINUED OPERATIONS*		(15,876)	(7,958)
Non-current assets held for sales	26	1,221	1,287
TOTAL ASSETS		**1,919,301**	**2,087,546**

In accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, in light of the industrial partnership agreement which called for the sale of the controlling interest of NPE S.r.l., in both periods the figures for assets held for sale are shown separately and analyzed in the section Discontinued Operations. In this report Continuing Operations refers to the results for the consolidation perimeter excluding NPE S.r.l..

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 FINANCIAL POSITION

NET EQUITY AND LIABILITIES (€/000)	*Notes*	30.06.2018	31.12.2017
NET EQUITY			
GROUP PORTION OF NET EQUITY		937,814	1,021,729
- Share capital	27	224,250	224,250
- Reserves	28	657,951	619,216
- Profit (loss) pertaining to the Group		55,613	178,263
MINORITY INTERESTS	28	-	-
TOTAL NET EQUITY		937,814	1,021,729
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES		261,323	284,135
- Bank loans and borrowings (long-term portion)	29	106,852	128,792
- Other financial payables (long-term portion)	30	154,471	155,343
DEFERRED TAX LIABILITIES	19	30,841	27,288
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		71,676	70,167
- Employee benefits	31	32,670	29,936
- Other provisions	32	39,006	40,231
TOTAL NON-CURRENT LIABILITIES		363,840	381,590
CURRENT LIABILITIES			
TRADE PAYABLES		380,253	366,061
FINANCIAL PAYABLES		100,957	138,345
- Bank loans and borrowings (short-term portion)	29	65,704	67,477
- Other financial payables (short-term portion)	30	35,253	70,868
CURRENT TAX LIABILITIES	33	26,887	37,133
OTHER PAYABLES	34	84,677	111,882
TOTAL CURRENT LIABILITIES		592,774	653,421
LIABILITIES RELATED TO *DISCONTINUED OPERATIONS*		40,749	38,764
Elimination of financial debt/payable from *DISCONTINUED OPERATIONS*		(15,876)	(7,958)
TOTAL NET EQUITY AND LIABILITIES		**1,919,301**	**2,087,546**

In accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, in light of the industrial partnership agreement which called for the sale of the controlling interest of NPE S.r.l., in both periods the figures for assets held for sale are shown separately and analyzed in the section Discontinued Operations. In this report Continuing Operations refers to the results for the consolidation perimeter excluding NPE S.r.l..

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 CASH FLOW

	Notes	1st half 2018	1st half 2018
Profit (loss) pertaining to the group from *Continuing Operations*		55,925	57,466
Income taxes for the period		12,904	19,134
Amortization		27,101	26,801
Net change in provisions and other non-cash items		2,928	(2,359)
Cash flow generated (absorbed) by current operations from *Discontinued Operations*		664	(1,402)
Cash flow generated by current operations (A)		**99,522**	**99,640**
Change in assets and liabilities for the period:			
Trade receivables		152,136	120,440
Inventories		(127,652)	(104,270)
Trade payables		11,404	(25,367)
Other changes in net working capital		(44,381)	(22,530)
Payment of income taxes		(17,575)	(16,620)
Cash flow absorbed by movements in working capital from *Discontinued Operations*		(1,346)	(12,415)
Cash flow absorbed by movements in working capital (B)		**(27,414)**	**(60,762)**
Cash flow generated by current operations and movements in working capital (A+B)		**72,108**	**38,878**
Investment activities:			
Investments in intangible assets		(6,309)	(6,248)
Other cash flows for intangible assets		134	15
Investments in property, plant and equipment		(22,726)	(44,098)
Other cash flows for property, plant and equipment		450	(47)
Net investments in financial assets and in minority interest		(168)	(20,291)
Cash flow absorbed by investment activities from *Discontinued Operations*		(2,227)	(684)
Cash flow absorbed by ordinary investment activities (C)		**(30,846)**	**(71,353)**
Dividends paid		(149,500)	(119,600)
Change in currency translation reserve on cash and cash equivalents		6,245	(14,344)
New loans		-	245,000
Payment of interests on loans		(1,396)	(2,375)
Repayment of loans and other net changes in sources of finance		(74,243)	(103,949)
Cash flow generated by changes in net equity and by financing activities from *Discontinued Operations*		5,942	12,806
Cash flow generated (absorbed) by changes in net equity and by financing activities (D)		**(212,952)**	**17,538**
Cash flow for the period (A+B+C+D)		**(171,690)**	**(14,937)**
Opening cash and cash equivalents	*25*	**667,998**	**461,430**
Increase in cash and cash equivalents (A+B+C+D)		(171,690)	(14,937)
Closing cash and cash equivalents	*25*	**496,308**	**446,493**
Of which:			
Cash and cash equivalents included as *Discontinued Operations*		6,307	1,756
Cash and cash equivalents as reported in the statement of financial position		**490,001**	**444,737**

In accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, in light of the industrial partnership agreement which called for the sale of the controlling interest of NPE S.r.l., in both periods the figures for assets held for sale are shown separately and analyzed in the section Discontinued Operations. In this report Continuing Operations refers to the results for the consolidation perimeter excluding NPE S.r.l..

Appendix 2 reports the statement of cash flows in terms of net financial position - *Continuing Operations*, only.

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	EXTRAORDINARY RESERVE	FAIR VALUE AND CASH FLOW HEDGE RESERVES	STOCK OPTION RESERVE	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 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**
Balance at 31 December 2017	**224,250**	**162**	**25,229**	**19,821**	**(2,969)**	**4,083**	**10,632**	**562,258**	**178,263**	**1,021,729**	**-**	**1,021,729**
Allocation of 2017 result as per AGM resolution of 19 April 2018												
- distribution of dividends								(149,500)		(149,500)		(149,500)
- allocation to reserves			8,731	16,380				153,152	(178,263)	-		-
Fair value Stock Option						1,925				1,925		1,925
Other changes in minority interests										-		-
Movements from transactions with shareholders	**-**	**-**	**8,731**	**16,380**	**-**	**1,925**	**-**	**3,652**	**(178,263)**	**(147,575)**	**-**	**(147,575)**
Profit (loss) after taxes									55,613	55,613		55,613
Other components of comprehensive income					4,988		3,059	-		8,047		8,047
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**4,988**	**-**	**3,059**	**-**	**55,613**	**63,660**	**-**	**63,660**
Balance at 30 June 2018	**224,250**	**162**	**33,960**	**36,201**	**2,019**	**6,008**	**13,691**	**565,910**	**55,613**	**937,814**	**-**	**937,814**

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 2018 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 2018.

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 consolidated financial figures were prepared using the same accounting policies as those used to prepare the consolidated financial statements at 31 December 2017 except for IFRS 15 *Revenue from contracts with customers* and IFRS 9 *Financial instruments*, applicable beginning on 1 January 2018. The Group did not apply any new standards, interpretations or amendments endorsed, but not yet applicable, in advance.

The publication of the half-year condensed consolidated financial statements for the period ended 30 June 2018 was authorized by the Board of Directors on 31 July 2018.

International accounting standards applied for the first time by the Group

With Regulation 2016/2067 of 22 November 2016 the European Commission adopted IFRS 9 – *Financial Instruments* which substitutes IAS 39 *Financial Instruments: Recognition and Measurement.* All aspects of the recognition of financial instruments are addressed in IFRS 9: classification and measurement, loss of value and hedge *accounting*. The standard is mandatory effective 1 January 2018. With the exception of hedge accounting, the standard is applied retroactively, but it is not mandatory to provide the comparison figures. The Group adopted the new standard when it became effective.
Application of the recognition and measurement called for in IFRS 9 did not have any impact on the financial statements. Loans, like trade receivables, are held through the expiration date and are expected to generate inflows relating solely to the principle and the interest. In accordance with IFRS 9, the Group will continue, therefore, to measure them using the amortized cost method.
Based on IFRS 9 impairment of the financial assets recognized in the financial statements at amortized cost must be calculated based on expected loss, rather than based on the incurred loss contemplated in IAS 39. Given the prudent approach to estimating losses on receivables in accordance with the previous standard, as well as the limited exposure to credit risk as a result of the use of insurance, the Group did not need to adjust the estimated recoverability of trade receivables and other financial assets.

IFRS 9 introduces revised rules and requirements for the application of hedge accounting, simplifying in part the rules of IAS 39 and increasing the instances when hedge accounting may be used. Application of the standard did not have a significant impact on the Group.

The Commission Regulation (EU) n. 2016/1905 of 22 September 2016 adopted IFRS 15 *Revenue from Contracts with Customers* which introduces a 5–point model which is to be applied to the customer contracts. 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 new standard, which substituted all the current requirements referred to in the IFRS relating to the recognition of revenues, was applied retroactively by the Group beginning on 1 January 2018.
Revenues from sales are recognized by the Group when the good is transferred to the customer, namely from the time the customer gains control of the goods. The application of IFRS 15 is not that different from the previous standard in terms of recognition of revenues. Revenues are accounted for net of discounts, rebates and returns. In accordance with the prior standard, revenues are not recognized for products which have been sold but may be returned in the future. A liability for future refunds is recognized, while an asset is recognized in inventory net of any loss in value. Application of IFRS 15 did not impact the way in which the Group accounts for revenues.

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

IFRS 16 *Leasing* was adopted by the EU in Regulation 2017/1986 on 31 October 2017. This standard aims to improve the financial reporting of leases. The scope of the new principle is largely unchanged with respect to IAS 17 which it is substituting. Leasing includes those contracts which convey the right to control the use of an identified asset for a period of time in exchange for consideration. The new standard eliminates the distinction between financial and operating leases for lessors and establishes a single category. As of the effective date, the lessee recognizes a right-of-use asset and a liability for the lease. The right-of-use asset is initially recognized at cost, while the liability is measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease.
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 method.
The new standard will be applicable beginning on or after 1 January 2019. While this new principle was not adopted in advance, the Group has begun to assess the possible impact of its application. At the date of this report, the effects have yet to be quantified.

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

After a long consultation period, on 18 May 2017 the IASB issued a new international accounting standard, IFRS 17 *Insurance contracts* which substitute the current IFRS 4. The new standard establishes rules for the recognition, measurement, presentation and disclosure of insurance contracts; it will be applied to all insurance contracts which will be measured using estimates for future cash flows, adjusted for risk, and a Contractual Service Margin (CSM). Once the standard is endorsed by the European Union, the new standard will be applicable beginning on or after 1 January 2021.

In June 2017 the IASB issued IFRIC Interpretation 23 — *Uncertainty over Income Tax Treatments* which provides guidelines about how to account for income taxes when there is uncertainty over income tax treatments. IFRIC 23 will take effect on 1 January 2019.

In September 2017 the IASB published *Practice Statement 2 Making Materiality Judgements* which provides companies with non-binding guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IAS/IFRS international accounting standards; the statement begins with the definition of material information. Information is deemed material if omitting it or misstating it could influence the decisions made by the user and provides a practical 4-step guide to a systematic approach to defining material information.

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 2017.
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		30.06.2018		30.06.2017		% Change	
		Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate	Average exchange rate
US dollar	USD	1.16580	1.21083	1.14120	1.08252	2.2%	11.9%
British pound	GBP	0.88605	0.87973	0.87933	0.86006	0.8%	2.3%
Hong Kong dollar	HKD	9.14680	9.49015	8.90680	8.41587	2.7%	12.8%
Chinese renminbi (Yuan)	CNY	7.71700	7.70997	7.73850	7.44174	(0.3%)	3.6%
Australian dollar	AUD	1.57870	1.56932	1.48510	1.43559	6.3%	9.3%
Canadian dollar	CAD	1.54420	1.54637	1.47850	1.44449	4.4%	7.1%
Japanese yen	JPY	129.04000	131.61065	127.75000	121.65859	1.0%	8.2%
Malaysian ringgit	MYR	4.70800	4.76773	4.89860	4.74994	(3.9%)	0.4%
New Zealand dollar	NZD	1.72470	1.69088	1.55540	1.52917	10.9%	10.6%
Polish zloty	PLN	4.37320	4.22003	4.22590	4.26846	3.5%	(1.1%)
South African rand	ZAR	16.04840	14.88948	14.92000	14.30999	7.6%	4.0%
Singapore dollar	SGD	1.58960	1.60583	1.57100	1.52003	1.2%	5.6%
Russian rouble	RUB	73.15820	71.98022	67.54490	62.73488	8.3%	14.7%
Turkish lira	TRY	5.33850	4.95512	4.01340	3.93792	33.0%	25.8%
Czech koruna	CZK	26.02000	25.49727	26.19700	26.78705	(0.7%)	(4.8%)
Swiss franc	CHF	1.15690	1.16970	1.09300	1.07640	5.8%	8.7%
Brazilian real	BRL	4.48760	4.14135	3.76000	3.43929	19.4%	20.4%
Croatian kuna	HRK	7.38600	7.41808	7.41030	7.44883	(0.3%)	(0.4%)
Ukrainian hryvnia	UAH	30.68680	32.37402	29.74370	28.96553	3.2%	11.8%
Romanian leu	RON	4.66310	4.65447	4.55230	4.53637	2.4%	2.6%
South Korean won	KRW	1,296.72000	1,302.94000	1,304.56000	1,235.58462	(0.6%)	5.5%
Chilean Peso	CLP	757.26000	740.17167	758.21400	714.13062	(0.1%)	3.6%
Swedish krona	SEK	10.45300	10.15193	9.63980	9.59544	8.4%	5.8%
Mexican Peso	MXN	22.88170	23.08025	20.58390	21.02797	11.2%	9.8%

(*) Source: Bank of Italy

DISCONTINUED OPERATIONS

On 22 February 2018 an industrial partnership agreement was reached with an industry player (the H&T Group, premiere Chinese electronics group listed on the Shenzen stock exchange) for the sale of 55% of NPE S.r.l.'s share capital. Based on the agreement the two shareholders will also make an equity contribution totaling €7.7 million to support development of the company and another 25% may be sold in the first half of 2020 at a price to be determined based on the extent to which certain economic targets have been achieved. The agreement will be finalized as soon as the applicable antitrust clearances have been completed.

In light of the planned disposal of the controlling interest in NPE S.r.l. and the treatment, in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, of NPE S.r.l's activities as Discontinued Operations, the balance sheet figures were included starting from the 31 December 2017 (for additional information refer to Annual report 2017), in the section *Discontinued Operations*.

In this section the details of the items related to Discontinued Operations are provided as shown in the consolidated income statement and the statement of financial position.
In terms of methodology, please note that Discontinued Operations are included in the De'Longhi Group's scope of consolidation at 30 June 2018 in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* and, therefore, the balances shown for the entire Group were determined by eliminating the economic and financial transactions between Continuing and Discontinued Operations.

More in detail:

- the single lines of the income statement relating to Continuing Operations and the single items comprising the net result for Discontinued Operations shown in this report are shown without taking into account elisions of intercompany transactions between the two Operations;
- at the financial level, the single items relating to Continuing Operations and the single items relating to Discontinued Operations' assets/liabilities shown in this report are shown without taking into account elisions of intercompany transactions between the two Operations;
- in the consolidated statement of financial position, therefore, the total amount of the financial transactions subject to elisions are shown in a separate line "Elimination of balance sheet items relating to Discontinued Operations";
- as for the statement of cash flows, all the cash flows generated by Discontinued Operations are shown in specific lines relating to current operations, movements in net working capital, investing activities and financing activities. These items are shown net of the impact of any transactions carried out between the Operations.

NET PROFIT (LOSS) FOR *DISCONTINUED OPERATIONS*

The income statement for *Discontinued Operations* is provided below:

(€/000)	1st half 2018	1st half 2017
Revenue from contracts with customers	26,951	23,387
Other revenues	380	756
Total consolidated revenues	***27,331***	***24,143***
Raw and ancillary materials, consumables and goods	(19,607)	(18,891)
Change in inventories of finished products and work in progress	594	534
Change in inventories of raw and ancillary materials, consumables and goods	958	1,726
Materials consumed	***(18,055)***	***(16,631)***
Payroll costs	(5,770)	(5,563)
Services and other operating expenses	(2,678)	(3,019)
Provisions	(280)	(68)
Amortization	(954)	(467)
EBIT	**(406)**	**(1,605)**
Financial income (expenses)	28	(102)
PROFIT (LOSS) BEFORE TAXES	**(378)**	**(1,707)**
Income taxes	66	401
NET PROFIT (LOSS) FROM *DISCONTINUED OPERATIONS*	**(312)**	**(1,306)**

ASSETS AND LIABILITIES - DISCONTINUED OPERATIONS

Assets and liabilities pertaining to Discontinued Operations at 30 June 2018 and 31 December 2017 are shown below:

ASSETS (€/000)	30.06.2018	31.12.2017
NON-CURRENT ASSETS		
INTANGIBLE ASSETS	426	204
- Goodwill	-	-
- Other intangible assets	426	204
PROPERTY, PLANT AND EQUIPMENT	8,497	7,447
- Land, property, plant and machinery	7,239	6,065
- Other tangible assets	1,258	1,382
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	2	2
- Equity investments	-	-
- Receivables	2	2
- Other non-current financial assets	-	-
DEFERRED TAX ASSETS	286	257
TOTAL NON-CURRENT ASSETS	9,211	7,910
CURRENT ASSETS		
INVENTORIES	12,044	10,492
TRADE RECEIVABLES	10,514	12,363
CURRENT TAX ASSETS	259	259
OTHER RECEIVABLES	2,363	2,888
CURRENT FINANCIAL RECEIVABLES AND ASSETS	376	-
CASH AND CASH EQUIVALENTS	6,092	3,274
TOTAL CURRENT ASSETS	31,648	29,276
TOTAL ASSETS	**40,859**	**37,186**

NET EQUITY AND LIABILITIES (€/000)	30.06.2018	31.12.2017
NET EQUITY		
GROUP PORTION OF NET EQUITY	110	(1,578)
- Share capital	10	10
- Reserves	412	(122)
- Profit (loss) pertaining to the Group	(312)	(1,466)
TOTAL NET EQUITY	110	(1,578)
NON-CURRENT LIABILITIES		
FINANCIAL PAYABLES	7,000	8,000
- Bank loans and borrowings (long-term portion)	7,000	8,000
- Other financial payables (long-term portion)	-	-
DEFERRED TAX LIABILITIES	-	-
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	2,660	2,552
- Employee benefits	2,360	2,552
- Other provisions	300	-
TOTAL NON-CURRENT LIABILITIES	9,660	10,552
CURRENT LIABILITIES		
TRADE PAYABLES	10,762	12,940
FINANCIAL PAYABLES	17,360	12,353
- Bank loans and borrowings (short-term portion)	7,000	12,003
- Other financial payables (short-term portion)	10,360	350
CURRENT TAX LIABILITIES	49	15
OTHER PAYABLES	2,918	2,904
TOTAL CURRENT LIABILITIES	31,089	28,212
TOTAL NET EQUITY AND LIABILITIES	**40,859**	**37,186**

CHANGE IN THE SCOPE OF CONSOLIDATION

There were no significant changes in the scope of consolidation in the first half of 2018.

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 – *CONTINUING OPERATIONS*

1. REVENUES

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

	1st half 2018	% of revenues	1st half 2017	% of revenues	Change	Change %
North East Europe	204,222	23.9%	187,634	23.0%	16,588	8,8%
South West Europe	352,534	41.2%	337,947	41.4%	14,587	4.3%
EUROPE	**556,756**	**65.1%**	**525,581**	**64.4%**	**31,175**	**5.9%**
United States and Canada	100,531	11.8%	91,688	11.2%	8,843	9.6%
Australia and New Zealand	47,018	5.5%	52,451	6.4%	(5,433)	(10.4%)
Japan	24,743	2.9%	21,905	2.7%	2,838	13.0%
Other countries area APA	66,179	7.7%	62,294	7.6%	3,885	6.2%
APA (Asia/Pacific/Americas)	**238,471**	**27.9%**	**228,338**	**28.0%**	**10,133**	**4.4%**
MEIA (Middle East/India/Africa)	**59,484**	**7.0%**	**62,814**	**7.7%**	**(3,330)**	**(5.3%)**
Total revenues	**854,711**	**100.0%**	**816,733**	**100.0%**	**37,978**	**4.7%**

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

"Other revenues" are broken down as follows:

	1st half 2018	1st half 2017	Change
Freight reimbursement	1,916	2,434	(518)
Damages reimbursed	1,056	197	859
Commercial rights	812	1,425	(613)
Out-of-period gains	83	44	39
Other income	6,125	8,222	(2,097)
Total	**9,992**	**12,322**	**(2,330)**

2. RAW AND ANCILLARY MATERIALS, COMSUMABLES AND GOODS

The break down is as follows:

	1st half 2018	1st half 2017	Change
Parts	236,057	189,601	46,456
Finished products	210,183	216,244	(6,061)
Raw materials	39,291	32,232	7,059
Other purchases	7,810	7,793	17
Total	**493,341**	**445,870**	**47,471**

3. CHANGE IN INVENTORIES

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 €42,839 thousand in production-related payroll (€33,571 thousand at 30 June 2017).
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*.

The item included €1,925 thousand relating to the notional cost (fair value) of the stock option plan; please refer to note *28. Reserves* for more information.
Non-recurring income/costs of €2,184 thousand relating to the commercial reorganization underway were recognized in the first half of 2018.

The Group's workforce at 30 June 2018 can be broken down as follows:

	30.06.2018	30.06.2017
Blue collar	5,576	5,187
White collar	3,042	2,984
Senior managers	98	100
Total	**8,716**	**8,271**

5. SERVICES AND OTHER OPERATING EXPENSES

These are detailed as follows:

	1st half 2018	1st half 2017	Change
Advertising and promotional expenses	84,102	85,484	(1,382)
Transport (for purchases and sales)	37,972	37,185	787
Subcontracted work	21,514	20,909	605
Rentals and leasing	16,294	16,936	(642)
Consulting services	9,710	8,713	997
Travel	7,049	9,525	(2,476)
Storage and warehousing	6,733	7,550	(817)
After-sale expenses	5,682	8,890	(3,208)
Power	4,436	3,777	659
Insurance	4,189	4,135	54
Commissions	3,191	3,373	(182)
Maintenance	1,939	2,080	(141)
Postage, telegraph and telephones	1,771	1,917	(146)
Directors and statutory auditors' emoluments	1,692	1,685	7
Other utilities, cleaning, security, waste disposal	1,569	1,437	132
Other sundry services	15,654	14,109	1,545
Total services	**223,497**	**227,705**	**(4,208)**
Sundry taxes	15,815	15,560	255
Other	2,135	1,735	400
Total other operating expenses	**17,950**	**17,295**	**655**
Total services and other operating expenses	**241,447**	**245,000**	**(3,553)**

6. CONTINGENCY AND OTHER PROVISIONS

At 30 June 2018 these include provisions for contingencies and other charges of €6,832 thousand (€4,397 thousand at 30 June 2017), €6,454 thousand of which refers to provision for product warranties and should be looked at together with "After-sale expenses", included in costs for services, which is the portion of these costs already incurred. The remaining €716 thousand refers to provisions for bad debt.

For further information, please refer to note *32 – Other provisions for non-current contingencies and charges*.

7. AMORTIZATION

These are detailed as follows:

	1st half 2018	1st half 2017	Change
Amortization of intangible assets	5,725	5,795	(70)
Depreciation of property, plant and equipment	21,376	21,006	370
Total	**27,101**	**26,801**	**300**

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)

In the first half of 2018 this includes the costs incurred for the commercial restructuring and reorganization underway. The amount of €2,184 thousand were recognized entirely as payroll costs. No non-recurring income/(expenses) were recognized in the first half of 2017.

9. FINANCIAL INCOME (EXPENSES)

Net financial income and expenses are broken down as follows:

	1st half 2018	1st half 2017	Change
Exchange differences and gains (losses) on currency hedges	**141**	**(710)**	**851**
Gains on equity investments	**733**	**433**	**300**
Net interest expense	(2,126)	(2,792)	666
Financial discounts	(6,451)	(6,764)	313
Other financial income (expenses)	(1,363)	(1,303)	(60)
Other net financial income (expenses)	**(9,940)**	**(10,859)**	**919**
Financial income (expenses)	**(9,066)**	**(11,136)**	**2,070**

"Exchange differences and gains (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 and the interest in the Eversys Group which is active in the professional espresso coffee makers sector.

Net interest 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, net of the interest income on the Group's investments.

10. NON-RECURRING FINANCIAL INCOME (EXPENSES)

In the first half of 2017 "Net non-recurring financial income" included the change in the fair value of the earn-out payable as a result of the Braun Household acquisition, net of the costs associated with the termination of the prior 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 2018	1st half 2017	Change
Current income taxes:			
- Income taxes	13,642	21,197	(7,555)
- IRAP (Italian regional business tax)	1,516	1,921	(405)
Deferred (advance) income taxes	(2,254)	(3,984)	1,730
Total	**12,904**	**19,134**	**(6,230)**

"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.
"Income taxes" include the patent box incentives following approval of the request for the incentives.

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: ASSETS – *CONTINUING OPERATIONS*

NON-CURRENT ASSETS

12. GOODWILL

	30.06.2018		31.12.2017		
	Gross	Net	Gross	Net	Change
Goodwill	99,147	92,400	99,147	92,400	-

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 2017 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 2018 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 2017.

13. OTHER INTANGIBLE ASSETS

These are analyzed as follows:

	30.06.2018		31.12.2017	
	Gross	Net	Gross	Net
New product development costs	84,605	11,080	83,300	12,448
Patents	38,629	4,459	38,414	5,010
Trademarks and similar rights	281,168	183,440	281,103	185,050
Work in progress and advances	26,085	23,587	21,596	19,098
Other	22,587	6,393	22,487	6,904
Total	**453,074**	**228,959**	**446,900**	**228,510**

The following table reports movements in the main asset categories during the first half 2018:

	New product development costs	Patents	Trademarks and similar rights	Work in progress and advances	Other	Total
Net opening balance	**12,448**	**5,010**	**185,050**	**19,098**	**6,904**	**228,510**
Additions	932	335	69	4,865	108	6,309
Amortization	(2,673)	(766)	(1,675)	-	(611)	(5,725)
Translation differences and other movements (*)	373	(120)	(4)	(376)	(8)	(135)
Net closing balance	**11,080**	**4,459**	**183,440**	**23,587**	**6,393**	**228,959**

(*)"Other movements" refers primarily to the reclassification of intangible assets.

The largest increases 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 the projects.
The Group capitalized a total of €5,797 thousand in development costs as intangible assets during the first half of 2018; the increase of €932 thousand in "New product development costs" refers to projects already completed at 30 June 2018, and "Work in progress and advances" , which amounts to €4,865 thousand, refers to projects still in progress.
The Group incurred around €25.1 million in research and development costs in the first half of 2018 (€25.2 million in the first half of 2017).

"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 brand, calculated based on an indefinite useful life in accordance with IAS 38, taking into account, above all, brand awareness, economic benefits, reference market characteristics, brand specific strategies and the amount of investments made to sustain the brands.
The impairment test carried out at the end of 2017 for both brands based on an indefinite useful life, 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 2018 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:

	30.06.2018		31.12.2017	
	Gross	Net	Gross	Net
Land and buildings	116,211	87,444	100,555	74,144
Plant and machinery	132,398	55,434	127,501	55,332
Total	**248,609**	**142,878**	**228,056**	**129,476**

The following table reports movements during the first half 2018:

	Land and buildings	Plant and machinery	Total
Net opening balance	**74,144**	**55,332**	**129,476**
Additions	473	3,173	3,646
Disposals	-	-	-
Depreciation	(2,219)	(4,391)	(6,610)
Translation differences and other movements (*)	15,046	1,320	16,366
Net closing balance	**87,444**	**55,434**	**142,878**

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

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):

	30.06.2018	31.12.2017
Plant and equipment	3,533	3,740
Total	**3,533**	**3,740**

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:

	30.06.2018		31.12.2017	
	Gross	Net	Gross	Net
Industrial and commercial equipment	286,523	50,169	275,531	49,486
Other	81,418	23,212	76,528	22,161
Work in progress and advances	17,044	17,044	30,727	30,727
Total	**384,985**	**90,425**	**382,786**	**102,374**

The following table reports movements during the first half 2018:

	Industrial and commercial equipment	Other	Work in progress and advances	Total
Net opening balance	**49,486**	**22,161**	**30,727**	**102,374**
Additions	7,059	2,911	9,110	19,080
Disposals	-	(161)	-	(161)
Depreciation	(10,172)	(4,594)	-	(14,766)
Translation differences and other movements (*)	3,796	2,895	(22,793)	(16,102)
Net closing balance	**50,169**	**23,212**	**17,044**	**90,425**

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

The increase in "Industrial and commercial equipment" refers primarily to the purchase of moulds to be used in the manufacture of new products.

The increase in "Work in progress" refers to the investments made in the Romanian production facility, the initial investments linked to the development of the new headquarters and the investments in moulds to be used in the manufacture of new products.

16. EQUITY INVESTMENTS

Details of equity investments are as follows:

	30.06.2018	31.12.2017
Equity investments consolidated using the equity method	23,689	22,906
Other equity investments available-for-sale	51	51
Total	**23,740**	**22,957**

"Equity investments consolidated using the equity method" refers to the equity investments subject to joint control as per contractual agreements and associated companies, accounted for using the equity method in accordance with IAS 28 – *Investments in associates and joint venture.*

The change in the value of equity investments using the equity method in the first half of 2018 can be broken down as follows:

	30.06.2018
Opening net balance	**22,906**
Interest in net profit	733
Exchange differences	50
Payment of dividends	-
Closing net balance	**23,689**

17. NON-CURRENT RECEIVBALES

The balance at 30 June 2018 comprises €3,168 thousand in security deposits (€3,083 at 31 December 2017).

18. OTHER NON-CURRENT FINANCIAL ASSETS

At 31 December 2017 this item referred to the fair value measurement of derivatives.

19. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

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

	30.06.2018	31.12.2017	Change
Deferred tax assets	36,569	32,322	4,247
Deferred tax liabilities	(30,841)	(27,288)	(3,553)
Net asset balance	**5,728**	**5,034**	**694**

"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), the tax effects associated with the allocation of higher values to fixed assets as a result of allocating consolidation differences. They also include the benefit arising from the carryforward of unused tax losses which are likely to be used in the future.

The net balance is analyzed as follows:

	30.06.2018	31.12.2017	Change
Temporary differences	453	1,565	(1,112)
Tax losses	5,275	3,469	1,806
Net asset balance	**5,728**	**5,034**	**694**

The change in the net asset balance also reflects the decrease recognized in net equity of €1,541 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 analyzed as follows:

	30.06.2018	31.12.2017	Change
Finished products and goods	380,780	267,560	113,220
Raw, ancillary and consumable materials	80,462	69,626	10,836
Work in progress and semi-finished products	28,944	24,338	4,606
Inventory writedown allowance	(31,554)	(31,814)	260
Total	**458,632**	**329,710**	**128,922**

The value of inventories, influenced by seasonality, is stated after deducting an allowance for obsolete or slow-moving goods totalling €31,554 thousand (€31,814 thousand at 31 December 2017) 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:

	30.06.2018	31.12.2017	Change
Trade receivables			
- due within 12 months	258,122	411,623	(153,501)
- due beyond 12 months	33	33	-
Allowance for doubtful accounts	(10,628)	(10,111)	(517)
Total	**247,527**	**401,545**	**(154,018)**

Trade receivables, which are influenced by seasonality, are stated net of an allowance for doubtful accounts of €10,628 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 analyzed as follows:

	30.06.2018	31.12.2017	Change
Direct tax receivables	9,167	7,532	1,635
Tax payments on account	4,324	3,887	437
Tax refunds requested	1,465	2,132	(667)
Total	**14,956**	**13,551**	**1,405**

There are no current tax assets due beyond 12 months.

23. OTHER RECEIVABLES

"Other receivables" are analyzed as follows:

	30.06.2018	31.12.2017	Change
VAT	15,898	9,950	5,948
Advances to suppliers	5,181	5,397	(216)
Other tax receivables	4,068	4,078	(10)
Prepaid insurance costs	1,438	1,106	332
Employees	252	214	38
Other	8,798	7,278	1,520
Total	**35,635**	**28,023**	**7,612**

There are no current tax assets due beyond 12 months.

24. CURRENT FINANCIAL RECEIVABLES AND ASSETS

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

	30.06.2018	31.12.2017	Change
Fair value of derivatives	14,685	4,755	9,930
Other financial receivables	13,522	3,522	10,000
Total	**28,207**	**8,277**	**19,930**

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 cash, liquidity on bank current accounts, as well as highly liquid short-term investments which can easily be converted into cash for a known amount and subject to an extremely low risk that the value might change.

A few of the Group's foreign companies have a total of €389.1 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 €355.1 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 2018 include €223 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.

	31.12.2017	Translation difference	30.06.2018
Non-current asset held for sale	1,287	(66)	1,221

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: NET EQUITY AND LIABILITIES - *CONTINUING OPERATIONS*

NET EQUITY

Net equity is made up as follows:

	30.06.2018	31.12.2017	Change
Group portion	937,814	1,021,729	(83,915)
Minority interests	-	-	-
Total	**937,814**	**1,021,729**	**(83,915)**

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 19 April 2018 approved a dividend totalling €149,500 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.

	31.12.2017
Weighted average number of shares outstanding	149,500,000
Weighted average number of diluted shares outstanding	151,500,000

The dilutive effect of the stock option plan was not significant at 30 June 2018, therefore the diluted earnings per share and the basic earnings per share, rounded to the second decimal place, are in line (€0.37).

28. RESERVES

These are analyzed as follows:

	30.06.2018	31.12.2017	Change
Share premium reserve	162	162	-
Legal reserve	33,960	25,229	8,731
Other reserves:			
- Extraordinary reserve	36,201	19,821	16,380
- Fair value and cash flow hedge reserve	2,019	(2,969)	4,988
- Stock option reserve	6,008	4,083	1,925
- Currency translation reserve	13,691	10,632	3,059
- Profit (loss) carried forward	565,910	562,258	3,652
Total	**657,951**	**619,216**	**38,735**

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 DeLclima S.p.A. to €162 thousand.

The "Legal reserve" had a balance of €25,229 thousand at 31 December 2017. The increase of €8,731 thousand is explained by the allocation of profit for the year approved by shareholders during De'Longhi S.p.A.'s AGM held on 19 April 2018.

The "Extraordinary reserve" increased by €16,380 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 €2,019 thousand, net of €452 thousand in tax.
The change in the "Fair value and cash flow hedge" reserve in first half 2018, 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 €4,988 thousand net of €1,541 thousand in tax.

The "Stock option" reserve amounted to €6,008 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 2017 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 €153,152 thousand, net of dividends paid.

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 30.06.2018	Profit (loss) after taxes 1st half 2018
De'Longhi S.p.A. financial statements	**382,371**	**71,957**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	585,338	(2,406)
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	18,877	(1,204)
Elimination of intercompany profits	(47,449)	(13,041)
Other adjustments	(1,323)	307
Consolidated financial statements	**937,814**	**55,613**
Minority interests	-	-
Group portion	**937,814**	**55,613**

NON-CURRENT LIABILITIES

29. BANK LOANS AND BORROWINGS

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

	30.06.2018	31.12.2017	Change
Overdrafts	92	185	(93)
Short-term loans	65,612	67,292	(1,680)
Long-term loans	106,852	128,792	(21,940)
Total bank loans and borrowings	**172,556**	**196,269**	**(23,713)**

No new loans were taken out in the first half of 2018.
With regard to the two loans taken out in 2017 (for more information refer to the 2017 Annual Report), none of the financial covenants included in the loan agreements, based on net debt/equity and net debt/EBITDA, had been breached at 30 June 2018.

The main bank debt is floating rate; the hedges on both of the medium/long term loans made it possible to exchange floating rate debt for fixed rate debt. The fair value of the loans, calculated by discounting expected future interest flows at current market rates, is not significantly different from the debt's book value.

30. OTHER FINANCIAL PAYABLES

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

	30.06.2018	31.12.2017	Change
Private placement (short-term portion)	-	16	(16)
Negative fair value of derivatives	10,800	12,887	(2,087)
Payables to lease companies (short-term portion)	80	365	(285)
Other short term financial payables	24,373	57,600	(33,227)
Total short-term payables	**35,253**	**70,868**	**(35,615)**
Private placement (one to five years)	64,155	42,736	21,419
Payables to lease companies (one to five years)	5	5	-
Negative fair value of derivatives	117	224	(107)
Other financial payables (one to five years)	4,486	5,116	(630)
Total long-term payables (one to five years)	**68,763**	**48,081**	**20,682**
Private placement (beyond five years)	85,708	107,147	(21,439)
Other financial payables (beyond five years)	-	115	(115)
Total long-term payables (beyond five years)	**85,708**	**107,262**	**(21,554)**
Total other financial payables	**189,724**	**226,211**	**(36,487)**

The "Private placement" includes the issue and placement of €150 million in unsecured, non-convertible notes with US institutional investors (the "US Private Placement") completed during 2017.
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 installments 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 2018 the covenants (ratio of consolidated financial debt on consolidated net equity, ratio of consolidated financial debt on EBITDA and ratio of EBITDA on net financial charges) had not been breached. The issue is not secured by collateral of any kind.

"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" refers to factoring without recourse, 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 short term financial payables" "also includes the variable amounts for purchases of non-controlling interests payable within one year.

"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:

	30.06.2018	31.12.2017	Change
A. Cash	117	143	(26)
B. Cash equivalents	489,884	664,581	(174,697)
C. Securities	-	-	-
D. Total liquidity (A+B+C)	**490,001**	**664,724**	**(174,723)**
E. Current financial receivables and other securities	**28,207**	**8,277**	**19,930**
of which:			
Fair value of derivatives	*14,685*	*4,755*	
F. Current bank loans and borrowings	(21,832)	(23,623)	1,791
G. Current portion of non-current debt	(43,872)	(43,854)	(18)
H. Other current financial payables	(35,253)	(70,868)	35,615
of which:			
Fair value measurement of derivatives, financial payables linked to business combinations and pension fund transactions	*(11,559)*	*(20,612)*	
I. Current financial debt (F+G+H)	**(100,957)**	**(138,345)**	**37,388**
J. Net current financial receivables (payables) (D+E+I)	**417,251**	**534,656**	**(117,405)**
Non-current financial receivables	-	79	(79)
of which:			
Fair value of derivatives	*-*	*79*	
K. Non-current bank loans and borrowings	(106,852)	(128,792)	21,940
L. Bonds	(149,863)	(149,883)	20
M. Other non-current payables	(4,608)	(5,460)	852
of which:			
Fair value measurement of derivatives, financial payables linked to business combinations and pension fund transactions	*(4,156)*	*(4,753)*	
N. Non-current financial debt (K+L+M)	**(261,323)**	**(284,056)**	**22,733**
Total	**155,928**	**250,600**	**(94,672)**

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 these 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 2018 is provided below:

	***Fair Value* at 30.06.2018**
FX forward agreements	(239)
Derivatives hedging foreign currency receivables/payables	**(239)**
FX forward agreements	4,663
IRS on parent company loans	(656)
Derivatives hedging expected cash flows	**4,007**
Total fair value of the derivatives	**3,768**

31. EMPLOYEE BENEFITS

These are made up as follows:

	30.06.2018	31.12.2017	Change
Provision for severance indemnities	10,698	10,966	(268)
Defined benefit plans	19,639	18,970	669
Other long term benefits	2,333	-	2,333
Total employee benefits	**32,670**	**29,936**	**2,734**

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 2018**
Current service cost	72
Interest cost on obligations	69
Total *Continuing Operations*	**141**

Change in present value of obligations	
Present value at 1 January	**10,966**
Current service cost	72
Utilization of provision	(409)
Interest cost on obligations	69
Present value *Continuing Operations* at 30 June 2018	**10,698**

Defined benefit plans:
Movements in the period are as follows:

Net cost charged to income	1sr half 2018
Current service cost	513
Return on plan assets	-
Interest cost on obligations	152
Total	**665**

Change in present value of obligations	
Present value at 1 January	**18,970**
Net cost charged to income	665
Benefits paid	(56)
Translation difference	60
Present value at 30 June 2018	**19,639**

The outstanding liability at 30 June 2018 of €19,639 thousand (€18,970 thousand at 31 December 2017) refers to a few subsidiaries (mainly in Germany and Japan).

The other long term benefits refer to an multi-annual incentive plan for which relative provisions were made.

32. OTHER PROVISIONS FOR NON-CURRENT CONTINGENCIES AND CHARGES

These are analyzed as follows:

	30.06.2018	31.12.2017	Change
Agents' leaving indemnity provision	1,939	1,904	35
Product warranty provision	28,398	30,491	(2,093)
Provisions for contingencies and other charges	8,669	7,836	833
Total	**39,006**	**40,231**	**(1,225)**

Movements are as follows:

	31.12.2017	Utilization	Net Accruals (*)	Currency translation differences and other movements	30.06.2018
Agents' leaving indemnity provision	1,904	(64)	99	-	1,939
Product warranty provision	30,491	(8,477)	6,454	(70)	28,398
Provisions for contingencies and other charges	7,836	(99)	971	(39)	8,669
Total	**40,231**	**(8,640)**	**7,524**	**(109)**	**39,006**

(*)Includes €692 thousand in costs recognized in the income statement rather than in provisions.

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 2018. 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 €4,738 thousand (€4,782 thousand at 31 December 2017) for liabilities arising from product complaints (limited to the Group's insurance deductible), the provision of €1,326 thousand (€745 thousand at 31 December 2017) 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

“Current tax liabilities” refers to the Group’s direct tax and, with respect to the Italian subsidiaries who adhered to the Domestic Tax Consolidation regime, the amount owed the parent company De Longhi Industrial S.A.; for additional information please refer to Annex n.3.
The item does not include tax due beyond 12 months.

34. OTHER PAYABLES

These are detailed as follows:

	30.06.2018	31.12.2017	Change
Employees	44,218	49,884	(5,666)
Indirect taxes	11,204	28,914	(17,710)
Social security institutions	5,838	7,199	(1,361)
Withholdings payables	3,493	6,057	(2,564)
Other taxes	990	714	276
Advances	692	660	32
Other	18,242	18,454	(212)
Total	**84,677**	**111,882**	**(27,205)**

35. COMMITMENTS

These are detailed as follows:

	30.06.2018	31.12.2017
Guarantees given to third parties	2,648	2,140
Other commitments	5,747	5,323
Total	**8,395**	**7,463**

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

In addition to the above, as part of its factoring of trade receivables without recourse, the total exposure for which amounted to €132,084 at 30 June 2018, the Group issued a surety and a credit mandate.

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 2018. 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	-	14,685	-
- derivatives with negative fair value	-	(10,917)	-
Equity investments	51	-	-
Financial payables linked to business combinations			(4,262)

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 2018.

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 - Continuing Operations

	1st half 2018				
	Europe	*APA*	*MEIA*	Intersegment eliminations (**)	Total
Total revenues (*)	**650,044**	**462,048**	**49,117**	**(306,498)**	**854,711**
EBITDA	**75,603**	**23,618**	**5,584**	**191**	**104,996**
Amortization	(20,304)	(6,712)	(85)	-	(27,101)
EBIT	**55,299**	**16,906**	**5,499**	**191**	**77,895**
Financial income (expenses)					(9,066)
Profit (loss) before taxes					**68,829**
Income taxes					(12,904)
Profit (loss) after taxes					**55,925**
Profit (loss) pertaining to minority interests					-
Profit (loss) for the year					**55,925**

(*) The revenues for each segment include revenues generated by both third parties and other Group operating segments.
(**) Eliminations refer to intersegment revenues generated and eliminated on a consolidated basis.

Data from statement of financial position - Continuing Operations

	30 June 2018				
	Europe	*APA*	*MEIA*	Intersegment eliminations	Total
Total assets	1,344,843	672,703	44,900	(168,128)	1,894,318
Total liabilities	(844,278)	(267,324)	(13,140)	168,128	(956,614)

Income Statement data - Continuing Operations

	1st half 2017				
	Europe	*APA*	*MEIA*	Intersegment eliminations (**)	Total
Total revenues (*)	**615,504**	**456,230**	**51,856**	**(306,857)**	**816,733**
EBITDA	**68,821**	**29,975**	**5,236**	**647**	**104,679**
Amortization	(19,074)	(7,694)	(33)	-	(26,801)
EBIT	**49,747**	**22,281**	**5,203**	**647**	**77,878**
Financial income (expenses)					(1,278)
Profit (loss) before taxes					**76,600**
Income taxes					(19,134)
Profit (loss) after taxes					**57,466**
Profit (loss) pertaining to minority interests					-
Profit (loss) for the year					**57,466**

(*) The revenues for each segment include revenues generated by both third parties and other Group operating segments. The income statement at 30.06.2017 was restated for the sake of comparison as some commercial items were reclassified.
(**) Eliminations refer to intersegment revenues generated and eliminated on a consolidated basis.

Data from statement of financial position - Continuing Operations

	31 December 2017				
	Europe	*APA*	*MEIA*	Intersegment eliminations	Total
Total assets	1,480,074	635,724	35,598	(93,078)	2,058,318
Total liabilities	(870,350)	(248,631)	(9,108)	93,078	(1,035,011)

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 2017.

41. SUBSEQUENT EVENTS

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

Treviso, 31 July 2018

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) *Income statement and statement of financial position*
    b) *Summary by company*

List of consolidated companies

(Appendix 1 to the Explanatory notes)

Company name	Registered office	Currency	Share capital (1)	Interest held at 30/06/2018	
				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.S.	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.	Barcellona	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%	
DELONGHI 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 SIRKETI	Istanbul	TRY	3,500,000		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	140,000,000	10%	90%
DE'LONGHI KENWOOD KOREA LTD	Seoul	KRW	900,000,000		100%
DL CHILE S.A.	Santiago del Cile	CLP	3,079,065,844		100%
DE'LONGHI SCANDINAVIA AB	Stockholm	SEK	5,000,000		100%
DELONGHI MEXICO SA DE CV	Bosques de las Lomas	MXN	11,576,000		100%
TWIST LLC	Mosca	RUB	10,000		100%

INVESTMENTS VALUED IN ACCORDANCE WITH THE EQUITY METHOD

Company name	Registered office	Currency	Share capital (1)	Interest held at 30/06/2018	
				Directly	Indirectly
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%
EVERSYS INC	Woodbridge	CAD	-		40%

OTHER SUBSIDIARIES (IN LIQUIDATION)

Company name	Registered office	Currency	Share capital
DE'LONGHI LTD. (3)	London	GBP	4,000,000

DISCONTINUED OPERATIONS

Company name	Registered office	Currency	Share capital (1)	Interest held at 30/06/2018	
				Directly	Indirectly
NPE S.R.L.	Treviso	EUR	10,000		100%

(1) Figures at 30 June 2018, 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.
(3) This is a dormant company for which the statement of financial position is not available.

Statement of consolidated cash flows in terms of net financial position (*)

(Appendix 2 to the Explanatory notes)

	1st half 2018	1st half 2017
Profit (loss) pertaining to the group	55,925	57,466
Income taxes for the period	12,904	19,134
Amortization	27,101	26,801
Net change in provisions and other non-cash items	2,928	(2,359)
Cash flow generated by current operations (A)	**98,858**	**101,042**
Change in assets and liabilities for the period:		
Trade receivables	152,136	120,440
Inventories	(127,652)	(104,270)
Trade payables	11,404	(25,367)
Other changes in net working capital	(44,381)	(22,530)
Payment of income taxes	(17,575)	(16,620)
Cash flow absorbed by movements in working capital (B)	**(26,068)**	**(48,347)**
Cash flow generated by current operations and movements in working capital (A+B)	**72,790**	**52,695**
Investment activities:		
Investments in intangible assets	(6,309)	(6,248)
Other cash flows for intangible assets	134	15
Investments in property, plant and equipment	(22,726)	(44,098)
Other cash flows for property, plant and equipment	450	(47)
Net investments in financial assets and in minority interest	(168)	(24,334)
Cash flow absorbed by ordinary investment activities (C)	**(28,619)**	**(74,712)**
Cash flow by operating activities (A+B+C)	**44,171**	**(22,017)**
Dividends paid	(149,500)	(119,600)
Fair value and cash flow hedge reserves	6,135	(8,054)
Change in currency translation reserve	6,222	(12,479)
Other changes in Net Equity	(1,700)	-
Cash flow absorbed by changes in net equity and by financing activities (D)	**(138,843)**	**(140,133)**
Cash flow for the period (A+B+C+D)	**(94,672)**	**(162,150)**
Opening net financial position *Continuing Operations*	**250,600**	**316,230**
Cash flow for the period (A+B+C+D)	(94,672)	(162,150)
Consolidated closing net financial position *Continuing Operations*	**155,928**	**154,080**

(*) Continuing Operations.

Transactions and balance with related parties

(Appendix 3 to the Explanatory notes)

(€/000)	1st half 2018	of which with related parties	1st half 2017	of which with related parties
CONTINUING OPERATIONS				
Revenue from contracts with customers	844,719	442	804,411	630
Other revenues	9,992	549	12,322	891
Total consolidated revenues	***854,711***		***816,733***	
Raw and ancillary materials, consumables and goods	(493,341)	(19,215)	(445,870)	(19,657)
Change in inventories of finished products and work in progress	116,610		92,569	
Change in inventories of raw and ancillary materials, consumables and goods	11,031		11,704	
Materials consumed	***(365,700)***		***(341,597)***	
Payroll costs	(135,020)		(123,833)	
Services and other operating expenses	(241,447)	(2,175)	(245,000)	(2,662)
Provisions	(7,548)		(1,624)	
Amortization	(27,101)		(26,801)	
EBIT	**77,895**		**77,878**	
Financial income (expenses)	(9,066)	4	(11,136)	
Non recurring financial income (expenses)	-		9,858	
PROFIT (LOSS) BEFORE TAXES	**68,829**		**76,600**	
Income taxes	(12,904)		(19,134)	
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	**55,925**		**57,466**	
DISCONTINUED OPERATIONS				
Net profit (loss) from discontinued operation	(312)		(1,306)	
CONSOLIDATED PROFIT (LOSS) AFTER TAXES	**55,613**		**56,160**	
Profit (loss) pertaining to minority interests	-		-	
PROFIT (LOSS) PERTAINING TO THE GROUP	**55,613**		**56,160**	

ASSETS (€/000)	30.06.2018	of which with related parties	31.12.2017	of which with related parties
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	321,359		320,910	
- Goodwill	92,400		92,400	
- Other intangible assets	228,959		228,510	
PROPERTY, PLANT AND EQUIPMENT	233,303		231,850	
- Land, property, plant and machinery	142,878		129,476	
- Other tangible assets	90,425		102,374	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	26,908		26,119	
- Equity investments	23,740		22,957	
- Receivables	3,168		3,083	
- Other non-current financial assets	-		79	
DEFERRED TAX ASSETS	36,569		32,322	
TOTAL NON-CURRENT ASSETS	618,139		611,201	
CURRENT ASSETS				
INVENTORIES	458,632		329,710	
TRADE RECEIVABLES	247,527	638	401,545	1,242
CURRENT TAX ASSETS	14,956		13,551	
OTHER RECEIVABLES	35,635	145	28,023	267
CURRENT FINANCIAL RECEIVABLES AND ASSETS	28,207	3,111	8,277	3,088
CASH AND CASH EQUIVALENTS	490,001		664,724	
TOTAL CURRENT ASSETS	1,274,958		1,445,830	
ASSETS RELATED TO *DISCONTINUED OPERATIONS*	40,859	234	37,186	
Elimination of financial receivables from *DISCONTINUED OPERATIONS*	(15,876)		(7,958)	
Non-current assets held for sales	1,221		1,287	
TOTAL ASSETS	**1,919,301**		**2,087,546**	

NET EQUITY AND LIABILITIES (€/000)	30.06.2018	of which with related parties	31.12.2017	of which with related parties
NET EQUITY				
GROUP PORTION OF NET EQUITY	937,814		1,021,729	
- Share capital	224,250		224,250	
- Reserves	657,951		619,216	
- Profit (loss) pertaining to the Group	55,613		178,263	
MINORITY INTERESTS	-		-	
TOTAL NET EQUITY	937,814		1,021,729	
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES	261,323		284,135	
- Bank loans and borrowings (long-term portion)	106,852		128,792	
- Other financial payables (long-term portion)	154,471		155,343	
DEFERRED TAX LIABILITIES	30,841		27,288	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	71,676		70,167	
- Employee benefits	32,670		29,936	
- Other provisions	39,006		40,231	
TOTAL NON-CURRENT LIABILITIES	363,840		381,590	
CURRENT LIABILITIES				
TRADE PAYABLES	380,253	8,054	366,061	994
FINANCIAL PAYABLES	100,957		138,345	
- Bank loans and borrowings (short-term portion)	65,704		67,477	
- Other financial payables (short-term portion)	35,253		70,868	
CURRENT TAX LIABILITIES	26,887	14,620	37,133	21,819
OTHER PAYABLES	84,677	508	111,882	508
TOTAL CURRENT LIABILITIES	592,774		653,421	
LIABILITIES RELATED TO *DISCONTINUED OPERATIONS*	40,749		38,764	(259)
Elimination of financial debt/payable from *DISCONTINUED OPERATIONS*	(15,876)		(7,958)	
TOTAL NET EQUITY AND LIABILITIES	**1,919,301**		**2,087,546**	

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 related party transactions during the first half 2018 and related balances with commercial nature at 30 June 2018:

(€/million)	Revenues	Costs	Trade and other receivables	Financial receivables	Trade and other payables
Related companies: (1)					
DL Radiators S.r.l.	0.8	-	0.7	-	0.5
TCL-De'Longhi Home Appliances (Zhongshan) Co.Ltd.	0.1	19.2	-	-	7.5
Gamma S.r.l.	0.1	2.1	0.1	-	0.5
De Longhi Industrial S.A.	-	-	-	-	14.6
Eversys Holding S.A.	0.1	-	-	3.1	-
TOTAL RELATED PARTIES *CONTINUING OPERATIONS*	**1.0**	**21.4**	**0.8**	**3.1**	**23.2**
Discontinued Operations	-	-	*0.2*	-	-
TOTAL RELATED PARTIES	**1.0**	**21.4**	**1.0**	**3.1**	**23.2**

(1) Commercial relationships.

The Parent Company 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 De Longhi Industrial S.A.; the agreement entered into covers the three-year period 2016-2018 and may be renewed. The €14.6 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.p.A. refers to taxes payable in prior years when the companies were part of De'Longhi S.p.A.'s tax group.

The financial receivables payable by Eversys Holding S.A. refer to the interest bearing shareholders' loan granted as per the agreements signed.

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 2018:
- 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 2018:

- 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, 31 July 2018

Fabio de’ Longhi
Chief Executive Officer

Stefano Biella
Financial Reporting Officer

De'Longhi S.p.A.

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

EY S.p.A.
Via Isonzo, 11
37126 Verona

Tel: +39 045 8312511
Fax: +39 045 8312550
ey.com

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 attached interim condensed consolidated financial statements, comprising the consolidated statement of financial position as of June 30, 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity, the consolidated statement of cash flows and the related explanatory notes of De'Longhi S.p.A. and its subsidiaries (the "De'Longhi Group") as of 30 June 2018. 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 31 July 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, 2018 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, August 1, 2018

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.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

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 paid-in)
Tax ID and Company Register no: 11570840154
Treviso Chamber of Commerce no: 224758
VAT no: 03162730265