

INTERIM FINANCIAL  
REPORT  
AT 30 SEPTEMBER

2022

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**DēLonghi Group**

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## COMPANY OFFICERS\*

### Board of Directors

GIUSEPPE DE' LONGHI	Chairman
FABIO DE' LONGHI	Vice Chairman and Chief Executive Officer
MASSIMILIANO BENEDETTI**	Director
FERRUCCIO BORSANI**	Director
LUISA MARIA VIRGINIA COLLINA**	Director
SILVIA DE' LONGHI	Director
CARLO GARAVAGLIA	Director
CARLO GROSSI **	Director
MICAELA LE DIVELEC LEMMI **	Director
MARIA CRISTINA PAGNI	Director
STEFANIA PETRUCCIOLI	Director

### Board of Statutory Auditors

CESARE CONTI	Chairman
ALESSANDRA DALMONTE	Standing member
ALBERTO VILLANI	Standing member
RAFFAELLA ANNAMARIA PAGANI	Alternate auditor
ALBERTA GERVASIO	Alternate auditor

### External Auditors

PRICEWATERHOUSECOOPERS S.P.A. \*\*\*

### Control, Risks, Corporate Governance and Sustainability Committee

LUISA MARIA VIRGINIA COLLINA**	Chairman
MICAELA LE DIVELEC LEMMI **	
STEFANIA PETRUCCIOLI	

### Remuneration and Appointments Committee

CARLO GROSSI **	Chairman
FERRUCCIO BORSANI**	
CARLO GARAVAGLIA	

### Independent Committee

LUISA MARIA VIRGINIA COLLINA**	Chairman and Lead Independent Director
MASSIMILIANO BENEDETTI**	
MICAELA LE DIVELEC LEMMI **	

\* The company officers were elected at the shareholders' meeting of 20 April 2022 for the period 2022-2024.

As at June 17<sup>th</sup>, 2022 the Board of Directors took note of the resignation, effective on August 31<sup>st</sup>, 2022, of Mr Massimo Garavaglia from his position as Chief Executive Officer, as well as from other board offices received within the Group, and as General Manager of De' Longhi S.p.A.. As at July 28<sup>th</sup>, 2022, as part of the Succession Plan Policy adopted by De' Longhi S.p.A. in compliance with the recommendations of the Corporate Governance Code, the Board of Directors appointed the Vice-Chairman Fabio de'Longhi as Chief Executive Officer with effect from 1st September 2022, pending the identification of the new Chief Executive Officer. Also starting from September 1st, Mr. Fabio de' Longhi was also identified, pursuant to the Corporate Governance Code, as Chief Executive Officer in charge of establishing and maintaining the internal control and risk management system of De' Longhi S.p.A. and the Group.

\*\* Independent directors.

\*\*\* Assigned by the shareholders' meeting of 24 April 2018 for the financial years 2019-2027.

## Key performance indicators

### Results

(€/million)	3rd Quarter 2022	%	3rd Quarter 2021 (*)	%	Change	Change %
Revenues	683.8	100.0%	717.7	100.0%	(33.8)	(4.7%)
<i>Revenues at constant exchange rates</i>	<i>642.9</i>	<i>100.0%</i>	<i>716.9</i>	<i>100.0%</i>	<i>(74.0)</i>	<i>(10.3%)</i>
Net industrial margin	319.4	46.7%	358.3	49.9%	(39.0)	(10.9%)
EBITDA before non-recurring items/stock option costs	62.9	9.2%	105.6	14.7%	(42.7)	(40.5%)
EBITDA	67.2	9.8%	103.9	14.5%	(36.6)	(35.3%)
EBIT	40.9	6.0%	79.7	11.1%	(38.8)	(48.7%)
Profit (loss) pertaining to the Group	27.7	4.1%	60.5	8.4%	(32.7)	(54.1%)

(€/million)	30.09.2022	%	30.09.2021 (*)	%	Change	Change %
Revenues	2,128.7	100.0%	2,149.5	100.0%	(20.8)	(1.0%)
<i>Revenues at constant exchange rates</i>	<i>2,034.9</i>	<i>100.0%</i>	<i>2,150.3</i>	<i>100.0%</i>	<i>(115.4)</i>	<i>(5.4%)</i>
Net industrial margin	1,015.5	47.7%	1,079.7	50.2%	(64.2)	(5.9%)
EBITDA before non-recurring items/stock option costs	212.0	10.0%	357.0	16.6%	(145.0)	(40.6%)
EBITDA	217.8	10.2%	344.9	16.0%	(127.1)	(36.9%)
EBIT	141.2	6.6%	277.2	12.9%	(136.0)	(49.1%)
Profit (loss) pertaining to the Group	99.4	4.7%	232.3	10.8%	(132.9)	(57.2%)

(\*) The comparative figures were restated as a result of the definitive accounting for the business combination related to Capital Brands and Eversys acquisitions.

**Statement of financial position**

(€/million)	30.09.2022	30.09.2021 (*)	31.12.2021
Net working capital	337.3	122.1	(8.6)
Net working capital/Revenues	10.5%	4.0%	(0.3%)
Net operative working capital	472.7	308.1	199.7
Net operative working capital/Revenues	14.8%	10.2%	6.2%
Net capital employed	1,619.2	1,246.7	1,145.5
Net financial assets	28.8	216.1	425.1
<i>of which:</i>			
- net bank financial position	115.9	301.4	505.9
- other non bank financial receivables/(payables)	(87.1)	(85.3)	(80.8)
Net equity	1,648.0	1,462.8	1,570.6

(\*) The comparative figures as at 30 September 2021 were restated as a result of the definitive accounting for the business combination related to Capital Brands and Eversys acquisitions.

## Introduction and definitions

This report contains the unaudited consolidated results at 30th September, 2022.

The financial results as of 30th September, 2022 are published in accordance to the decision of the Board of Directors that determined to continue to approve and publish the interim reports within the terms and in the manner usually adopted by the Company, on a voluntary basis and in addition to the annual and half-year financial reports as per article 154-ter, paragraph 1 and 2 of Legislative Decree n. 58/1998 ("TUF").

The adopted communication policy, until a different determination by the Board of Directors, stipulates that the content of the interim reports shall be the same published in the past and it refers, in particular, to financial year 2021.

Forward - looking statements, by nature, have a component of risk and uncertainty as they depend on future events and developments. At the date of this report, there is a high level of uncertainty which calls for caution when making economic forecasts as the economic prospects continue to depend on the conflict between Russia and Ukraine, the inflationary pressures, the ensuing supply chain disruptions, as well as the persisting pandemic. The actual results could, therefore, differ from the ones presented.

The income statement and balance sheet figures commented on below reflect the change in the scope of consolidation explained by the recent acquisitions of Capital Brands and Eversys Group.

The comparative figures as at 30 September 2021 were restated, in accordance with IFRS 3, as a result of the definitive accounting for the business combination related to Capital Brands and Eversys acquisitions.

The figures at constant exchange rates are calculated excluding the effects of converting currency balances and the accounting of derivative transactions.

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## Performance review

In the first nine months of 2022 the world economy, already weakened by the persistent health crisis and supply chain tensions, was further impacted by the macroeconomic conditions, inflationary pressures, as well as the growing volatility of the financial and currency markets, which caused global demand to shrink.

In this complex market environment, the De' Longhi Group confirmed its solidity, posting revenues of €2,128.7 million in the first nine months of 2022, largely in line with the same period of the prior year (€2,149.5 million), thanks also to the positive exchange effect. This performance reflects the challenging comparison with the same period of 2021 when growth of more than 45% against 2020 was recorded.

The stable turnover confirmed the Group's ability to navigate the market complexities thanks also to the strength and reputation of its brands, geographic diversification and the continuous investments made in production, development and communication.

In terms of geography, two contrasting trends emerged which reflect the different impact that the factors mentioned above had on the markets. Americas, Asia Pacific and MEIA recorded growth in revenues, as a result partially of a positive exchange effect, while Europe, which was impacted more by the difficulties mentioned above than the rest of the world, reported declines across almost all the main markets.

Looking at business lines, positive results were recorded, above all for coffee, while the cooking and food preparation segment was down. The performance of the latter was affected by shrinking demand as consumers pivoted away from "stay at home" products once the pandemic restrictions were lifted. Comfort saw a drop in turnover due to a decrease in the sale of air conditioners in Europe, offset by a good performance in heating.

As for margins, in addition to revenues, the first nine months of 2022 were impacted by non-recurring costs stemming from the high level of inventory caused by the sudden change in market conditions. There were production inefficiencies caused by internal manufacturing which was slower than usual, as well as higher costs for warehousing and managing the inventory of both components and finished products.

Margins were also impacted by a worsening of the product/market mix, as well as inflationary pressures on the cost of materials, energy and the supply chain, partially offset by price management policies.

The net industrial margin came to €1,015.5 million, or 47.7% of revenues, a decrease of 5.9% compared to the first nine months of 2021 (-8.5% at constant exchange rates).

The cost of services and other operating expenses were higher for two reasons. On the one hand, despite the backdrop, the Group invested a total of €95.1 million in advertising and communication, 20% higher than in the same period of 2021 (+€17.7 million), particularly in the global campaigns launched in the fourth quarter of 2021 above all to support the coffee segment.

On the other hand, higher inventories, increased tariffs and a few supply chain issues resulted in a significant increase in the cost of logistics services.

EBITDA before non-recurring/stock option costs came to €212.0 million (10.0% of revenues), lower than the €357 million (16.6% of revenues) recorded in the first nine months of 2021.

In the first nine months of 2022 a few non-recurring items were recognized which together generated net income of €5.8 million (net costs of €12.1 million in the same period of 2021) including gains on the revised valuation of assets in Ukraine which were revalued in the second quarter as activity resumed in a few areas of the country which resulted in the payment of part of the receivables that had previously been written down. The non-recurring items also include the donation made to support people affected by the conflict, as well as the economic impact of the purchase price allocation stemming from recent acquisitions and the revised notional costs of stock option plans accrued in prior years following the change in the number of beneficiaries.

EBIT came to €141.2 million in the nine months, after amortization and depreciation of €76.6 million which were higher than in the same period of 2021 (€67.7 million) due to the completion of a few investments in the reporting period.

Financial expenses amounted to €7.8 million compared to financial income of €18.9 million in the same period of 2021 which included €25.3 million in non-recurring items stemming mainly from the revaluation of the non-controlling interest held in Eversys carried out once total control was acquired in accordance with IFRS 3. Financial expenses were affected by the gradual increase in interest rates, partially offset by positive exchange differences.

After taxes of €32.3 million and minority interests of €1.7 million, the Group's portion of net profit came to €99.4 million (€232.3 million in 9M 2021).

The net operating working capital amounted to €472.7 million (14.8% of revenues) and was higher both numerically and as a percentage of rolling revenues compared to 30 September 2021 (€308.1 million or 10.2% of revenues). The performance reflects effective receivables management which, however, was not enough to offset the drop in trade payables, explained by a slowdown in purchasing, and higher inventory (which is currently being absorbed) attributable, above all, to inventory planning which was based on overly optimistic forecasts.

The net financial position with banks came to a positive €115.9 million (€ 301.4 million at 30 September 2021, €505.9 million at 31 December 2021).

Operating cash flow and the movements in net working capital absorbed €158.7 million in the first nine months of 2022 due to the working capital dynamics referred to above.

Net cash absorption of €396.3 million was recorded in the reporting period which reflects, in addition to operating cash flow and movements in NWC, investments made to enhance production facilities for €126.5 million and the payment of €124.5 million in dividends.



## Group results

The reclassified consolidated income statement is summarized in the table below:

(€/million)	30.09.2022	% revenues	30.09.2021 (*)	% revenues
<b>Revenues</b>	<b>2,128.7</b>	<b>100.0%</b>	<b>2,149.5</b>	<b>100.0%</b>
<i>Change</i>	<i>(20.8)</i>	<i>(1.0%)</i>		
Materials consumed & other production costs (production services and payroll costs)	(1,113.1)	(52.3%)	(1,069.8)	(49.8%)
<b>Net industrial margin</b>	<b>1,015.5</b>	<b>47.7%</b>	<b>1,079.7</b>	<b>50.2%</b>
Services and other operating expenses	(618.0)	(29.0%)	(545.9)	(25.4%)
Payroll (non-production)	(185.6)	(8.7%)	(176.9)	(8.2%)
<b>EBITDA before non-recurring items/stock option plan</b>	<b>212.0</b>	<b>10.0%</b>	<b>357.0</b>	<b>16.6%</b>
<i>Change</i>	<i>(145.0)</i>	<i>(40.6%)</i>		
Non-recurring income (expenses)/(stock option costs)	5.8	0.3%	(12.1)	(0.6%)
<b>EBITDA</b>	<b>217.8</b>	<b>10.2%</b>	<b>344.9</b>	<b>16.0%</b>
Amortization	(76.6)	(3.6%)	(67.7)	(3.2%)
<b>EBIT</b>	<b>141.2</b>	<b>6.6%</b>	<b>277.2</b>	<b>12.9%</b>
<i>Change</i>	<i>(136.0)</i>	<i>(49.1%)</i>		
Net financial income (expenses)	(7.8)	(0.4%)	18.9	0.9%
<b>Profit (loss) before taxes</b>	<b>133.4</b>	<b>6.3%</b>	<b>296.0</b>	<b>13.8%</b>
Taxes	(32.3)	(1.5%)	(63.2)	(2.9%)
<b>Net result</b>	<b>101.1</b>	<b>4.8%</b>	<b>232.8</b>	<b>10.8%</b>
Minority interests	1.7	0.1%	0.5	0.0%
<b>Profit (loss) pertaining to the Group</b>	<b>99.4</b>	<b>4.7%</b>	<b>232.3</b>	<b>10.8%</b>

(\*) The comparative figures were restated as a result of the definitive accounting for the business combination related to Capital Brands and Eversys acquisition; this led to lower EBITDA by € 9.2 million, lower EBIT by € 14.7 million and lower net result pertaining to the Group by € 11.1 million.

## Revenues

The Group posted revenues of €2,128.7 million in the first nine months of 2022, largely in line with the first nine months of 2021 (-1.0%) despite the particularly challenging comparison attributable to the decided acceleration seen against 2020 (+45.9%).

The Group's performance was affected by the complex global market conditions which beginning in March deteriorated gradually due to heightened currency volatility, accelerated inflation, shrinking demand, particularly for cooking and food preparation products, and the high level of trade inventories, as well as the conflict in Ukraine.

The performance was also impacted by lower volumes and a worsening of the mix, but also benefitted from the strengthening of the main export currencies (-5.4% at constant exchange rates).

### Markets and business lines

The impact of the factors described above varied across the different areas in which the Group operates; more specifically, the European markets were affected more by the contextual issues. The performance of the commercial areas is summarized below:

(€/million)	3rd Quarter 2022	%	3rd Quarter 2021	%	Change	Change %	Change at constant exchange rates %
Europe	398.2	58.2%	443.4	61.7%	(45.3)	(10.2%)	(11.9%)
America	129.3	18.9%	140.4	19.6%	(11.0)	(7.9%)	(21.2%)
Asia Pacific	107.4	15.7%	92.4	12.9%	15.0	16.2%	8.9%
MEIA	48.9	7.2%	41.4	5.8%	7.5	18.2%	1.2%
<b>Total</b>	<b>683.8</b>	<b>100.0%</b>	<b>717.7</b>	<b>100.0%</b>	<b>(33.8)</b>	<b>(4.7%)</b>	<b>(10.3%)</b>

(€/million)	30.09.2022	%	30.09.2021	%	Change	Change %	Change at constant exchange rates %
Europe	1,244.5	58.5%	1,370.4	63.7%	(125.9)	(9.2%)	(10.4%)
America	418.5	19.6%	382.6	17.8%	36.0	9.4%	(1.6%)
Asia Pacific	310.9	14.6%	251.3	11.7%	59.6	23.7%	16.3%
MEIA	154.7	7.3%	145.2	6.8%	9.5	6.6%	(5.4%)
<b>Total</b>	<b>2,128.7</b>	<b>100.0%</b>	<b>2,149.5</b>	<b>100.0%</b>	<b>(20.8)</b>	<b>(1.0%)</b>	<b>(5.4%)</b>

**Europe** reported revenues of €1,244.5 million in 9M 2022, 9.2% lower than in the same period of 2021. In Italy results were basically in line with 2021. Revenues were higher in Spain and Portugal thanks to the positive performance seen across all product segments, particularly coffee machines and comfort. Sales were lower in other area markets which were affected by higher trade inventories and the shrinking demand caused by inflation, as well as a change in consumption once the pandemic restrictions were lifted. In France turnover was impacted, above all, by a decrease in the demand for food preparation products.

Even though coffee sales were higher, in 9M 2022 revenues were overall down in Germany due to a drop in the sale of cooking and food preparation products and an unfavorable season for air conditioning.

**Americas**, which benefitted from a positive exchange effect, recorded revenues of €418.5 million, an increase of 9.4% attributable to the good performance of coffee, including Nespresso platform products, fully automatic and manual machines, as well as comfort; blenders were down due to shrinking demand, particularly for personal blenders which posted lower sales in the third quarter.

**Asia Pacific** reported revenues of €310.9 million in 9M 2022, an increase of 23.7%, thanks also to the positive exchange effect. All the main markets in this area reported a positive performance.

Despite the restrictive measures implemented by the government to contain new waves of the pandemic, a very positive performance was recorded in China driven by coffee products.

Double-digit growth in sales was posted in Australia thanks to the contribution of coffee products, both the fully automatic and manual models of the La Specialista line, as well as comfort.

**MEIA** recorded revenues of €154.7 million in the first nine months, higher (+6.6%) than in the same period of 2021, thanks to a positive exchange effect and despite the closure of one of the main markets (Egypt) to imports due to local financial tensions.

### Business lines

All the business lines reported positive results, despite the particularly challenging 2021 comparison base. The sole exception was cooking and food preparation which was affected by shrinking demand as consumers pivoted away from “stay at home” products once the pandemic restrictions were lifted.

In 9M 2022 the coffee segment, which accounts for more than half of the Group's business, reported a 9.5% increase in revenues. Looking at household products, manual machines posted a good performance, particularly the La Specialista line, as did the Nespresso platform outsourced products. Sales of fully automatic machines were largely in line with the first nine months of 2021 which, however, is a particularly challenging comparison base given the strong acceleration posted against 2020 and 2019 (up more than 40% and 20%, respectively).

Sales of Eversys brand professional machines were more than double the same period of 2021. In 2021, however, Eversys only contributed for six months as the business was consolidated as of the acquisition date.

As mentioned above, food preparation was down overall. More in detail, the drop in demand had a greater impact on kitchen machines and blenders which, however, are compared to the period of record growth seen against 2021 and 2020 (around +50% and around +30%, respectively).

Irons and home care products closed the nine months with a positive performance, attributable mainly to Braun brand irons which posted growth in the sale of both ironing systems and traditional steam models.

Sales for comfort were, overall, higher though the pace of the different product lines varied. Sales for portable air conditioners were down due to a slowdown in sales in Europe. Heating products, however, posted good results.

## Profitability

As for margins, in addition to the trend in revenues, the first nine months of 2022 were impacted by non-recurring costs stemming from the high level of inventory caused by the sudden change in market conditions. There were production inefficiencies caused by internal manufacturing which was slower than usual, higher costs for warehousing and managing the inventory of both components and finished products.

Margins were also impacted by a worsening of the product/market mix, as well as inflationary pressures on the cost of materials, energy and the supply chain, partially offset by price management policies.

The net industrial margin came to €1,015.5 million, or 47.7% of revenues, a decrease of 5.9% compared to the first nine months of 2021 (-8.5% at constant exchange rates).

The cost of services and other operating expenses were higher. Despite the backdrop, the Group's investments in advertising continued and were more than 20% higher than in the same period of 2021 (+€17.7 million), particularly in relation to the global campaigns launched in the fourth quarter of 2021 to support the coffee segment.

Higher inventories, increased tariffs and a few supply chain issues also resulted in a significant increase in the cost of logistics services (mainly transport, warehouse rents and services used to move merchandise), both numerically and as a percentage of revenues.

EBITDA before non-recurring/stock option costs came to €212.0 million (10.0% of revenues), lower than the €357 million (16.6% of revenues) recorded in the first nine months of 2021.

In the first nine months of 2022 a few non-recurring items were recognized which together generated net income of €5.8 million (net costs of €12.1 million in the same period of 2021) including gains on the revised valuation of assets in Ukraine which were revalued in the second quarter as activity resumed in a few areas of the country which resulted in the payment of part of the receivables that had previously been written down. The non-recurring items also include the donation made to support people affected by the conflict, as well as the economic impact of the purchase price allocation stemming from recent acquisitions and the revised notional costs of stock option plans accrued in prior years following the change in the number of beneficiaries.

EBIT came to €141.2 million in the nine months, after amortization and depreciation of €76.6 million which were higher than in the same period of 2021 (€67.7 million) due to the completion of a few investments in the reporting period.

Financial expenses amounted to €7.8 million compared to financial income of €18.9 million in the same period of 2021 which included €25.3 million in non-recurring items stemming mainly from the revaluation of the non-controlling interest held in Eversys carried out once total control was acquired in accordance with IFRS 3. Financial expenses were affected by the gradual increase in interest rates, partially offset by positive exchange differences.

After taxes of €32.3 million and minority interests of €1.7 million, the Group's portion of net profit came to €99.4 million (€232.3 million in 9M 2021).

## Review of the statement financial position

The reclassified consolidated financial position is summarized as follows:

(€/million)	30.09.2022	30.09.2021 (*)	31.12.2021
- Intangible assets	939.7	854.5	867.9
- Property, plant and equipment	450.2	370.8	389.5
- Financial assets	12.6	12.3	11.9
- Deferred tax assets	82.6	76.2	74.3
<b>Non-current assets</b>	<b>1,485.1</b>	<b>1,313.8</b>	<b>1,343.6</b>
- Inventories	892.1	780.4	769.3
- Trade receivables	158.0	274.8	366.7
- Trade payables	(577.3)	(747.1)	(936.2)
- Other payables (net of receivables)	(135.4)	(186.0)	(208.3)
<b>Net working capital</b>	<b>337.3</b>	<b>122.1</b>	<b>(8.6)</b>
<b>Total non-current liabilities and provisions</b>	<b>(203.3)</b>	<b>(189.1)</b>	<b>(189.5)</b>
<b>Net capital employed</b>	<b>1,619.2</b>	<b>1,246.7</b>	<b>1,145.5</b>
<b>(Net financial assets)</b>	<b>(28.8)</b>	<b>(216.1)</b>	<b>(425.1)</b>
<b>Total net equity</b>	<b>1,648.0</b>	<b>1,462.8</b>	<b>1,570.6</b>
<b>Total net debt and equity</b>	<b>1,619.2</b>	<b>1,246.7</b>	<b>1,145.5</b>

(\*) The comparative figures as at September 30<sup>th</sup> 2021 were restated as a result of the definitive accounting for the business combination related to Capital Brands and Eversys acquisitions; this led to lower NWC by € 1.5 million and higher Net capital employed by € 9.4 million (there were no impacts on net financial debt).

In the first nine months of 2022 the Group continued with its investments for a total of €126.5 million that refer mainly to infrastructure and, in addition to the purchase of the new plant in Romania, improvements at the proprietary plants in Romania, Italy and China.

The net operating working capital amounted to €472.7 million (14.8% of revenues) and was higher both numerically and as a percentage of rolling revenues compared to 30 September 2021 (€308.1 million or 10.2% of revenues). The performance reflects effective receivables management which, however, was not enough to offset the drop in trade payables, explained by a slowdown in purchasing, and higher inventory (which is currently being absorbed) attributable, above all, to inventory planning which was based on overly optimistic forecasts.

The net financial position is detailed as follows:

(€/million)	30.09.2022	30.09.2021	31.12.2021
Cash and cash equivalents	655.2	859.8	1,026.1
Other financial receivables	305.7	345.5	302.1
Current financial debt	(245.4)	(353.6)	(292.6)
<b>Net current financial position</b>	<b>715.5</b>	<b>851.7</b>	<b>1,035.6</b>
Non-current financial receivables and assets	123.8	75.2	70.5
Non-current financial debt	(810.5)	(710.8)	(681.0)
<b>Non-current net financial debt</b>	<b>(686.7)</b>	<b>(635.6)</b>	<b>(610.5)</b>
<b>Total net financial position</b>	<b>28.8</b>	<b>216.1</b>	<b>425.1</b>
<i>of which:</i>			
- positions with banks and other financial payables	115.9	301.4	505.9
- lease liabilities	(81.2)	(76.5)	(75.9)
- other financial non-bank assets/liabilities (fair value of derivatives, financial debt connected to business combinations and pension fund)	(5.9)	(8.8)	(4.9)

The net financial position came to a positive €28.8 million at 30 September 2022 (versus a positive €216.1 million at 30 September 2021 and a positive €425.1 million at 31 December 2021).

This includes a few specific financial items, including mainly the fair value measurement of derivatives, the residual debt for business combinations and pension fund transactions, which had a net negative balance of €5.9 million at 30 September 2022 (negative for €8.8 million at 30 September 2021 and negative for €4.9 million at 31 December 2021).

The item also includes lease liabilities recognized in accordance with IFRS 16 which amounted to €81.2 million at 30 September 2022 (€76.5 million at 30 September 2021 and €75.9 million at 31 December 2021).

Net of these items, the net financial position with banks came to a positive €115.9 million (€301.4 million at 30 September 2021, €505.9 million at 31 December 2021).

The statement of cash flow for the period is presented on condensed basis as follows:

(€/million)	30.09.2022 9 months	30.09.2021 (*) 9 months	31.12.2021 12 months
Cash flow by current operations	207.5	356.7	496.9
Cash flow by changes in working capital	(366.2)	(87.1)	5.8
<b>Cash flow by current operations and changes in NWC</b>	<b>(158.7)</b>	<b>269.6</b>	<b>502.6</b>
Cash flow by investment activities	(126.5)	(93.1)	(132.3)
<b>Cash flow by operating activities</b>	<b>(285.2)</b>	<b>176.5</b>	<b>370.3</b>
<b>Acquisitions</b>	<b>-</b>	<b>(129.4)</b>	<b>(129.4)</b>
Dividends paid	(124.5)	(80.8)	(80.8)
Stock options exercise	-	5.9	7.1
Cash flow by other changes in net equity	13.4	16.0	30.0
<b>Cash flow generated (absorbed) by changes in net equity</b>	<b>(111.1)</b>	<b>(59.0)</b>	<b>(43.7)</b>
<b>Cash flow for the period</b>	<b>(396.3)</b>	<b>(11.9)</b>	<b>197.1</b>
Opening net financial position	425.1	228.0	228.0
<b>Closing net financial position</b>	<b>28.8</b>	<b>216.1</b>	<b>425.1</b>

(\*) The comparative figures were restated as a result of the definitive accounting for the business combination related to Capital Brands and Eversys acquisitions.

Operating cash flow and the movements in net working capital absorbed €158.7 million in the first nine months of 2022 due to the working capital dynamics referred to above.

Net cash absorption of €396.3 million was recorded in the reporting period which reflects, in addition to operating cash flow and movements in NWC, investments made to strengthen production facilities for €126.5 million and the payment of €124.5 million in dividends.



The statement of comprehensive income is presented as follows:

(€/million)	30.09.2022	30.09.2021 (*)
Net result	101.1	232.8
Other components of comprehensive income	100.5	43.7
<b>Total comprehensive income</b>	<b>201.7</b>	<b>276.5</b>
<i>pertaining to:</i>		
<i>minority</i>	200.1	276.0
<i>pertaining to:</i>	1.6	0.5

(\*) The comparative figures were restated as a result of the definitive accounting for the business combination related to Capital Brands and Eversys acquisitions.

The main changes in net equity with reference to the consolidated figures in the first quarter are shown below:

(€/million)	Group portion of net equity	Minority interest	Total net equity
<b>Balance at 1 January 2021</b>	<b>1,267.4</b>	<b>-</b>	<b>1,267.4</b>
Fair value stock option	2.7		2.7
Stock options exercise	5.9		5.9
Dividends paid	(80.8)		(80.8)
Other changes in shareholders interests	(10.3)	1.5	(8.8)
Total comprehensive income	276.0	0.5	276.5
<b>Balance at 30 September 2021 (*)</b>	<b>1,460.8</b>	<b>2.0</b>	<b>1,462.8</b>
<b>Balance at 1 January 2022</b>	<b>1,568.6</b>	<b>2.0</b>	<b>1,570.6</b>
Fair value stock option	0.2		0.2
Dividends paid	(124.5)		(124.5)
Total comprehensive income	200.1	1.6	201.7
<b>Balance at 30 September 2022</b>	<b>1,644.4</b>	<b>3.6</b>	<b>1,648.0</b>

(\*) The comparative figures were restated as a result of the definitive accounting for the business combination related to Capital Brands and Eversys acquisitions.

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## 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 less 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 operative working capital: this measure is the sum of inventories, trade receivables minus trade payables.

- Net capital employed: this measure is the sum of net working capital, intangible assets, property, plant and equipment, equity investments, other non-current receivables, and deferred tax assets, minus deferred tax liabilities, employee 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.

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## Other information

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

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 2021 Annual Report.

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## Treasury shares

On April 20<sup>th</sup> 2022, the Annual General Meeting resolved to renew – by revoking the previous resolution – the authorisation for the purchase and disposal of treasury shares up to a maximum of 14.5 million ordinary shares and, therefore, not exceeding one fifth of the share capital, also taking into account any shares held by the Company and by its subsidiaries. The authorisation was approved, in accordance with current provisions of law, for a maximum of 18 months (and, therefore, until 20 October 2023).

As at 30 September 2022 the Group, through its Parent Company De' Longhi S.p.A., holds a total of 895,350 treasury shares for a total value of Euro 14.534 thousands.

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## Subsequent events

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

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## Outlook

Despite the deteriorated geopolitical scenario and the softening consumers' demand, the trend in coffee and the strong presence in the nutrition and cooking segment will sustain the business expansion in the medium term, as witnessed by some markets and product categories even in these difficult times. Moreover, the Group strongly believes that sticking to the strategy on price management and media spending, together with the measures implemented to reduce the level of stock, a recovery of profitability will be ensured in the near future.

*Treviso, 10 November 2022*

*For the Board of Directors  
Vice Chairman and CEO*

*Fabio de'Longhi*

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## **Declaration by the Officer Responsible for Preparing the Company's Financial Report**

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

*Treviso, 10 November 2022*

*Officer Responsible for Preparing  
the Company's Financial Report*

*Stefano Biella*

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This report is available on the corporate website:  
[www.delonghigroup.com](http://www.delonghigroup.com)

**De' Longhi S.p.A.**

Registered office: Via L. Seitz, 47 – 31100 Treviso  
Share capital: EUR 226,344,138 (subscribed and paid-in)  
Tax ID and Company Register no.: 11570840154  
Treviso Chamber of Commerce no.: 224758  
VAT no.: 03162730265