INTERIM FINANCIAL REPORT AT 30 SEPTEMBER 2020

DēLonghi Group | DēLonghi KENWOOD BRAUN Ariete

COMPANY OFFICERS *

Board of Directors

GIUSEPPE DE'LONGHI	Chairman
FABIO DE'LONGHI	Vice Chairman
MASSIMO GARAVAGLIA	Chief Executive Officer
SILVIA DE'LONGHI	Director
MASSIMILIANO BENEDETTI**	Director
FERRUCCIO BORSANI**	Director
LUISA MARIA VIRGINIA COLLINA**	Director
RENATO CORRADA	Director
CARLO GARAVAGLIA	Director
MARIA CRISTINA PAGNI **	Director
STEFANIA PETRUCCIOLI**	Director
GIORGIO SANDRI	Director

Board of Statutory Auditors

CESARE CONTI	Chairman
PAOLA MIGNANI	Standing member
ALBERTO VILLANI	Standing member
LAURA BRAGA	Alternate auditor
ALBERTA GERVASIO	Alternate auditor

External Auditors

PricewaterhouseCoopers S.p.A. ***

Control, Risks, Corporate Governance and Sustainability Committee

STEFANIA PETRUCCIOLI**
MARIA CRISTINA PAGNI **
RENATO CORRADA

Remuneration and Appointments Committee

MARIA CRISTINA PAGNI **
STEFANIA PETRUCCIOLI**
CARLO GARAVAGLIA

Independent Committee

MARIA CRISTINA PAGNI **
MASSIMILIANO BENEDETTI**
FERRUCCIO BORSANI**
LUISA MARIA VIRGINIA COLLINA**
STEFANIA PETRUCCIOLI**

* The company officers were elected at the shareholders' meeting of 30 April 2019 for the period 2019-2021. The number of members of the Board of Directors was increased to twelve with the appointment by the Shareholders' Meeting of 22 April 2020 of Massimo Garavaglia as a member of the Board of Directors with delegated powers as Chief Executive Officer, in charge until the expiry of the Board.
** Independent directors.
*** During the meeting held on 24 April 2018 shareholders granted the financial audit assignment for the period 2019-2027 to PricewaterhouseCoopers S.p.A..

Key performance indicators

Results

(€/million)	3rd quarter 2020	%	3rd quarter 2020 normalized	%	3rd quarter 2019	%	Change normalized	Change % normalized
Revenues	576.6	100.0%	580.9	100.0%	458.2	100.0%	122.7	26.8%
Revenues at constant exchange rates	*590.8*	*100.0%*	*595.1*	*100.0%*	*458.6*	*100.0%*	*136.5*	*29.8%*
Net industrial margin	285.3	49.5%	289.7	49.9%	216.4	47.2%	73.2	33.8%
EBITDA before non – recurring /stock option costs	96.9	16.8%	101.2	17.4%	60.1	13.1%	41.1	68.3%
EBITDA	94.9	16.5%	99.2	17.1%	57.9	12.6%	41.3	71.4%
EBIT	75.6	13.1%	79.9	13.8%	38.2	8.3%	41.8	109.4%
Profit (loss) pertaining to the Group	60.9	10.6%	60.9	10.5%	29.0	6.3%	31.9	110.0%
Profit (loss) *adjusted*	**62.7**	**10.9%**	**62.7**	**10.8%**	**30.8**	**6.7%**	**31.9**	**103.4%**

(€/million)	30.09.2020 (9 months)	%	30.09.2020 (9 months) normalized	%	30.09.2019 (9 months)	%	Change normalized	Change % normalized
Revenues	1,473.2	100.0%	1,484.6	100.0%	1,303.7	100.0%	180.9	13.9%
Revenues at constant exchange rates	*1,485.5*	*100.0%*	*1,496.9*	*100.0%*	*1,303.8*	*100.0%*	*193.1*	*14.8%*
Net industrial margin	721.6	49.0%	733.0	49.4%	615.9	47.2%	117.1	19.0%
EBITDA before non – recurring /stock option costs	208.7	14.2%	220.0	14.8%	157.9	12.1%	62.1	39.3%
EBITDA	200.4	13.6%	211.8	14.3%	153.3	11.8%	58.5	38.1%
EBIT	142.5	9.7%	153.9	10.4%	96.2	7.4%	57.7	60.0%
Profit (loss) pertaining to the Group	104.0	7.1%	104.0	7.0%	71.8	5.5%	32.1	44.7%
Profit (loss) *adjusted*	**110.4**	**7.5%**	**110.4**	**7.4%**	**75.5**	**5.8%**	**34.9**	**46.3%**

Statement of financial position

(€/million)	**30.09.2020**	**30.09.2019**	**31.12.2019**
Net working capital	222.1	387.8	318.8
Net capital employed	813.8	1,002.1	912.6
Net financial assets	451.5	101.5	277.8
of which:			
- *Net bank financial position*	*516.7*	*180.9*	*357.4*
- *Other financial receivables/(payables)*	*(65.2)*	*(79.5)*	*(79.6)*
Net equity	1,265.3	1,103.5	1,190.5
Net working capital/Net revenues	9.8%	18.6%	15.2%

Definitions

"Normalized" refers to 2020 figures net of the impact the reclassification of a few categories of commercial contributions following the implementation in the fourth quarter of 2019 of a new Commercial Policy.

The Net Profit pertaining to the Group is also presented in the adjusted form, namely net of the notional cost of the stock options, the non-recurring costs of the period and the relative tax effects.

The figures at constant exchange rates (also referred to as organic) are calculated excluding the effects of converting currency balances and accounting of derivatives.

Introduction

This report contains the unaudited consolidated results at 30 September 2020.

The financial results as of September 30th, 2020 are published in accordance to the decision of the Board of Directors that determined to continue to approve and publish, on a voluntary basis and in addition to the annual and half-year financial reports as per article 154-*ter*, paragraph 1 and 2 of D. Lgs. n. 58/1998 (“TUF”), the interim reports within the terms and in the manner usually adopted by the Company.
The adopted communication policy, until a different determination by the Board of Directors, stipulates that the content of the interim reports shall be the same published in the past and it refers, in particular, to financial year 2019.

Performance review

The De’ Longhi Group, in a very unstable macroeconomic environment attributable to the crisis triggered by the spread of Covid-19, closed the third quarter of 2020 with an acceleration in revenues which fueled double-digit growth (+26.8% in normalized terms against the same period 2019).
The excellent performance recorded in the last quarter made it possible to close the first nine months of 2020 with normalized revenues of €1,484.6 million, an increase of 13.9% with respect to the same period of 2019, despite the negative exchange effect.

De’ Longhi’s main sector of operation, the home experience sector, proved its resiliency in the face of the general crisis and was able to limit, thanks to strong demand, the difficulties stemming from the economic trend.
Despite the initial slowdown recorded in the first months of the health crisis, which was fully recovered during the first half, the De’ Longhi Group was able to accelerate in the third quarter and post a strong increase in revenues, margins and cash generation.

These results were achieved thanks to the actions taken to sustain the business, the unrelenting commitment to investing in the development of new products, as well as marketing activities and communication, which made it possible for De’ Longhi to strengthen its leadership in key segments.
The Group demonstrated that it knows how to react to difficult situations, leveraging on the strength of its brands, products, international presence and taking the steps needed to support all sales channels, including the online channel. Being an international player, with revenues distributed across many markets, and the focus on home experience products, mitigated the negative impact of the crisis.
Achieving positive results was possible thanks also to the Group’s ability to quickly adjust its commercial strategy through the e-commerce channel which recorded higher sales in the period.
The collaboration with its main clients and partners in all sectors of operation was key.

De’ Longhi also showed that it possesses a strategic and managerial approach which made it possible to manage an unprecedented crisis thanks to a proven ability to adapt and react, as well the dedication and determination of all the Group’s people.

The third quarter of 2020 posted normalized revenues of €580.9 million, an increase of 26.8% compared to the same period of the prior year (+29.8% in organic terms).
Revenues amounted to €1,473.2 million in the nine-month period; normalized revenues came to €1,484.6 million, 13.9% higher than in 2019 (+14.8% at constant exchange rates).

The increased consumption of coffee at home and the propensity to spend more time preparing food, attributable to the containment measures adopted in the different countries due to the health crisis, were key to the good performance of revenues. It became clear, in fact, that consumers prefer to invest in products for the home rather than in other types of goods or services, which boosted the sale of home experience products. The Group succeeded in quickly shifting its communication to increase the focus on products that can facilitate or enhance life at home.

Revenues performed well, albeit with different dynamics, in the first nine months of 2020 across all the geographic areas in which the Group operates, with the exception of MEIA which, however, picked up in the third quarter and posted normalized organic growth of 7.7% thanks to the positive impact of the reorganization carried out in recent months.

In the first nine months of 2020 normalized revenues in **Europe**, which were up by more than 30% in the third quarter, were 17.3% (+18.0% in organic terms) higher than in the same period of the prior year coming in at €1,021.2 million. Positive results were recorded in all of this area’s key markets. In Germany, France, Benelux, and Poland, sales confirmed and further improved the prior good performance. In the United Kingdom, there was a very solid increase in revenues in the third quarter which made it possible to offset the weakness seen in previous reporting periods and close the nine months with growth of roughly 16%.

In **APA** normalized revenues reached €385.0 million in the first nine months of 2020, an increase of 13.4% against 2019 (+14.8% in organic terms). In the United States and Canada, the Group’s second most important market, sales benefitted from a very good third quarter which made it possible to close the gap recorded in the second quarter and were basically flat with respect to the comparison period due to the strong limitations stemming from the health crisis.
In Australia and New Zealand, the trend in revenues was positive in both the third quarter and the nine months, thanks to the contribution of coffee machines and food preparation products (kitchen machines, in particular). In China and Hong Kong, where more than half of the sales were made using the main e-commerce platforms even before the health crisis, almost all the business was transitioned successfully to the online channels during the lockdown. The market benefitted from the good sales performance of food preparation products (mainly handblenders) and coffee machines, particularly traditional pump and fully automatic models.

MEIA closed the third quarter with a 7.7% organic increase in normalized revenues (+3.0% after the negative exchange effect) thanks to the positive impact of the reorganization carried out in recent months. The recovery in sales made it possible to offset the decrease recorded in the first half and brought revenues in the nine-month period to €78.5 million (-16.2% at current exchange rates; -14,9% in organic terms).

In terms of business lines, the coffee segment, which represents roughly half of the Group’s sales, confirmed its growth of more than 30% in the third quarter (at both current exchange rates and in organic terms) and of 19.5% in the nine-month period (+20.6% at constant exchange rates) thanks to the good sales performance of fully automatic and traditional pump machines supported by the two most recent models (*Maestosa* and *La Specialista*, respectively), as well as the positive results of the Nespresso and Dolcegusto platform products and the drip coffee machines.

Thanks to the acceleration in sales in the last quarter (+24.5%), the trend seen in the prior periods for cooking products pivoted over the nine months and turnover rose 8.8% (+9.9% at constant exchange rates).

Sales for Comfort posted growth of 15.5% (+15.9% in organic terms) in the nine-month period thanks to the contribution of portable air conditioners in many of the main markets, only partially offset by a weak heating segment due to a mild winter.

In the first nine months of 2020 revenues for irons and cleaning products were largely in line with the same period of 2019, despite the growth posted in the last quarter.

Looking at margins, profitability benefitted from the volume effect, a favorable mix, a positive price effect, as well as the containment of some manufacturing costs. In the face of the current health crisis, the Group also quickly took steps to protect margins and use available social safety nets.

The industrial margin amounted to €721.6 million, and went from 47.2% to 49.0% of revenues; the normalized industrial margin came to €733.0 million or 49.4% of revenues, an increase of €117.1 million with respect to the same period 2019.

Despite the uncertain situation, the Group continued to make investments in advertising and promotional activities, to support its brands, which were about €27.9 million higher than in the first nine months of 2019.
EBITDA before non-recurring/stock option costs benefitted from a reduction of some operative non industrial costs and amounted to €208.7million or 14.2% of revenues (€220.0 million or 14.8% of revenues, normalized), higher both numerically and as a percentage of revenue with respect to the same period of 2019 (€157.9 million or 12.1% of revenues). In normalized terms, EBITDA was 39.3% higher than in the first nine months of 2019 despite the negative exchange effect of €4.7 million, net of which the increase would have reached +42.6%.

The notional cost of the stock options and the non-recurring costs stemming mainly from the health crisis (including the donation of €3.1 million made by the Group to support the containment measures) amounted to €8.2 million in the nine-month period.

After amortization and depreciation of €57.9 million, EBIT came to €142.5 million (9.7% of revenues), or €153.9 million (10.4% of revenues) normalized.

In the first nine months of 2020 financial expenses, €14.5 million in normalized terms, were higher with respect to the same period of 2019 (€10.3 million) as a result of larger financial discounts, lower investment income, above all as a result of lower interest rates, mainly for USD denominated investments as a result of a significant reduction in interest rates, offset by gains stemming from the valuation of a few investments.

Net of €35.5 million in tax, profit pertaining to the Group amounted to €104.0 million in the first nine months of 2020, 44.7% higher than in the same period of 2019 despite the non-recurring operating expenses, net the relative tax effect, of €6.4 million; net of these items adjusted net profit would have amounted to €110.4 million, an increase of €34.9 million with respect to the first nine months of 2019.

From a financial and balance sheet standpoint, the net working capital strongly decreased to €222.1 million at 30 September 2020 (€318.8 million at 31 December 2019; €387.8 million at 30 September 2019), showing significant improvement both numerically and in terms of rolling revenues (9.8% at 30 September 2020 versus 15.2% at year-end 2019 and 18.6% at 30 September 2019). The positive performance reflects the effective, careful management of receivables, resulting in an improved DSO, and lower inventory due to stronger market demand which exceeded supply from the production facilities. Trade payables were higher due to the increase in purchases made in the last quarter.

Cash generation was strong with net operating cash flow reaching a positive €171.6 million in the reporting period (positive for €4.6 million in the first nine months of 2019) attributable to the trend in profitability referred to above and the containment of working capital.

The net financial position came to a positive €451.5 million at 30 September 2020 (versus positive €277.8 million at 31 December 2019 and positive €101.5 million at 30 September 2019), of which €516.7 million relating to the position with banks (€357.4 million at 31 December 2019 and €180.9 million at 30 September 2019).
This strong, solid financial position will allow the Group to make further investments in products, facilities and sustain the investment plan focused on increasing the Group's production capacity.

The net financial position also benefitted from the shareholders' decision not to pay dividends in April given the unprecedented situation.

General overview

Beginning in the early part of the year, 2020 was affected by the spread worldwide of the coronavirus emergency which triggered an unprecedented global crisis with serious health, social, economic and financial consequences.
Most countries reacted, albeit at different times and using different methods, by implementing containment measures which called for restrictions on mobility and the closure of activities in many sectors.
In Europe these restrictions were eased gradually beginning in May after infection rates stabilized and/or decreased while in the rest of the world alert levels remained high.
As of the end of the summer and, subsequently, in the fall, the feared "second wave" of the health crisis hit Italy and many other European countries; the notification rates of infection and hospitalization rates once again reached alarming levels to the extent that a few containment measures were put in place again.

From the beginning of the crisis, the De' Longhi Group, in the face of a situation undergoing constant change, implemented plans aiming, above all, to protect the health and safety of its employees and also worked to guarantee business continuity by assessing any critical issues relating to product availability and the supply chain in the main markets that might affect the production and distribution of its products.

At the date of this interim management report, the situation is still extremely uncertain and visibility is lower due also to largely unstable global market conditions which call for caution including when making economic forecasts.

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	30.09.2020	% revenues	30.09.2020 normalized	% revenues	30.09.2019	% revenues
Revenues	**1,473.2**	**100.0%**	**1,484.6**	**100.0%**	**1,303.7**	**100.0%**
Change	*169.5*	*13.0%*	*180.9*	*13.9%*		
Materials consumed & other production costs (production services and payroll costs)	(751.6)	(51.0%)	(751.6)	(50.6%)	(687.8)	(52.8%)
Net industrial margin	**721.6**	**49.0%**	**733.0**	**49.4%**	**615.9**	**47.2%**
Services and other operating expenses	(369.1)	(25.1%)	(369.1)	(24.9%)	(322.3)	(24.7%)
Payroll (non-production)	(143.9)	(9.8%)	(143.9)	(9.7%)	(135.7)	(10.4%)
EBITDA before non-recurring/stock option costs	**208.7**	**14.2%**	**220.0**	**14.8%**	**157.9**	**12.1%**
Change	*50.7*	*32.1%*	*62.1*	*39.3%*		
Other non-recurring expenses/ stock option costs	(8.2)	(0.6%)	(8.2)	(0.6%)	(4.6)	(0.4%)
EBITDA	**200.4**	**13.6%**	**211.8**	**14.3%**	**153.3**	**11.8%**
Amortization	(57.9)	(3.9%)	(57.9)	(3.9%)	(57.2)	(4.4%)
EBIT	**142.5**	**9.7%**	**153.9**	**10.4%**	**96.2**	**7.4%**
Change	*46.3*	*48.2%*	*57.7*	*60.0%*		
Net financial income (expenses)	(3.1)	(0.2%)	(14.5)	(1.0%)	(10.3)	(0.8%)
Profit (loss) before taxes	**139.4**	**9.5%**	**139.4**	**9.4%**	**85.9**	**6.6%**
Taxes	(35.5)	(2.4%)	(35.5)	(2.4%)	(14.0)	(1.1%)
Net profit	**104.0**	**7.1%**	**104.0**	**7.0%**	**71.8**	**5.5%**

Revenues

Despite the difficult international conditions, the De' Longhi Group recorded normalized revenues of €1,484.6 million in the first nine months of the year, an increase of 13.9% (+14.8% in organic terms).
More in detail, it was possible to achieve these good results thanks to a particularly strong third quarter during which normalized revenues rose by 26.8% against the same period of 2019 to €580.9 million (+29.8% in organic terms).

The good results confirmed the effectiveness of the actions taken by the Group and its quick reaction to the unforeseeable situation.
The strengthening of sales through online channels, the reopening of stores after the lockdown, along with the ability of the traditional networks to expand the offer using a multichannel model laid the foundation for a business model based on hybrid distribution techniques in order to better serve the end customer.

A few key factors also emerged as a result of the current situation which benefitted the Group. There were, firstly, an increase in coffee consumption at home and the propensity to spend more time preparing food; furthermore, even though the impact of the crisis on income, and consequently on demand, is not yet clear, consumers preferred to invest in products for the home rather than in other types of goods or services which boosted the sale of home experience products.

Another important factor that drove sales was the Group's decision to continue to invest in promotional activities and advertising.

The coffee segment recorded an increase in normalized revenues of 19.5% (+20.6% in organic terms) overall in the nine months and of 33.1% (36.0% at constant exchange rates) in the third quarter.
All the product families posted a positive performance, albeit with different growth rates; more in detail, the success of the fully automatic and traditional pump machines was confirmed driven also by the sale of the two most recent models (*Maestosa* and *La Specialista*, respectively).

As for food preparation products, the positive performance seen in the second quarter accelerated in the third quarter (+24.5% at current exchange rates; +27.7% in organic terms) which compensated for the weakness recorded at the beginning of 2020 and propelled sales to grow by 8.8% (+9.9% at constant exchange rates) in the nine months. Sales of kitchen machines were particularly robust, rising more than 30% in the period, thanks to the contribution of all the main markets.

Comfort closed the nine months with revenues up by 15.5%. This very positive performance reflects the combined effect of two different trends; the increase in the sale of portable air conditioners in many of the main markets which offset a weak heating segment due to a mild winter.

Sales for irons and cleaning products, lastly, were basically stable in the nine months.

Markets

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

(€/million)	3rd quarter 2020 (3 months)	%	3rd quarter 2020 normalized (3 months)	%	3rd quarter 2019 (3 months)	%	Change normalized	Change % normalized	Organic change % normalized
EUROPE	405.0	70.2%	409.1	70.4%	310.4	67.8%	98.7	31.8%	33.9%
APA	138.1	24.0%	138.2	23.8%	115.2	25.1%	23.1	20.0%	25.0%
MEIA	33.5	5.8%	33.6	5.8%	32.6	7.1%	1.0	3.0%	7.7%
Total revenues	**576.6**	**100.0%**	**580.9**	**100.0%**	**458.2**	**100.0%**	**122.7**	**26.8%**	**29.8%**

(€/million)	30.09.2020 (9 months)	%	30.09.2020 normalized (9 months)	%	30.09.2019 (9 months)	%	Change normalized	Change % normalized	Organic change % normalized
EUROPE	1,010.2	68.6%	1,021.2	68.8%	870.6	66.8%	150.6	17.3%	18.0%
APA	384.7	26.1%	385.0	25.9%	339.5	26.0%	45.5	13.4%	14.8%
MEIA	78.3	5.3%	78.5	5.3%	93.6	7.2%	(15.2)	(16.2%)	(14.9%)
Total revenues	**1,473.2**	**100.0%**	**1,484.6**	**100.0%**	**1,303.7**	**100.0%**	**180.9**	**13.9%**	**14.8%**

In the third quarter of 2020 revenues grew, albeit to varying degrees, across all the business regions.
The good performance posted in the last three months, combined with the recovery already seen in the second quarter, compensated for the weakness seen at the beginning of the year and brought positive results to all the geographic areas, with the sole exception of MEIA.

In **Europe** normalized revenues amounted to €1,021.2 million in the first nine months of 2020, an increase of 17.3% (+18.0% in organic terms) against the same figure for 2019.
Basically, all the area's markets posted strong increases in sales in the third quarter which were 30% higher overall.
In Germany and France, two key markets, sales rose by around 35.1% and 34.7% in the nine months, respectively, thanks to the good performance of coffee machines, above all fully automatic models, and Kenwood brand kitchen machines. These two products benefitted from the significant investments made in TV and online advertising. In both markets there was also a positive trend in the sale of portable air conditioners.
In Benelux sales were up by more than 28.8%, thanks to the good performance of the same product categories.
In the first half of 2020 the Polish market was basically in line with the prior year; the third quarter accelerated, fueled above all by fully automatic coffee machines, and revenues were 23.5% (+26.9% in organic terms) higher overall in the reporting period.
Similarly in the United Kingdom, sales, which were largely flat against the comparison figure in the first half of 2020, received a decided boost in the third quarter (rising more than 47% at current exchange rates and in organic terms) which fueled overall growth of 16.3% in the nine months (+16.5% at constant exchange rates) driven by the recovery in kitchen machines and coffee sales.
In Scandinavia, where fewer containment measures were implemented as a result of the health crisis, there was good growth in sales driven, above all, by coffee products and kitchen machines.
Russia, Ukraine and the other CIS countries closed the nine months with revenues up by 11.5% in organic terms and 5.2% higher at current exchange rates due to the negative impact of the ruble.
The Italian market was impacted by the closure of retail businesses in the first few months of the year but, after a first half that closed lower than the same period 2019, succeeded in closing the first nine

months of 2020 with revenues that were slightly higher thanks to the contribution of the second and third quarters.

In **APA** normalized revenues reached €385.0 million in the first nine months of 2020, an increase of 13.4% against the first nine months of 2019 (+14.8% in organic terms).
In the United States and Canada, the Group's second most important market, revenues were 10.7% higher in the nine months (11.1% at constant exchange rates) thanks to the good performance of coffee machines, particularly the Nespresso platform models, and portable air conditioners which were, moreover, impacted negatively by a few early deliveries (year-end 2018) made in order to offset the higher tariffs put in place by the United States government.
In Australia and New Zealand, the trend in revenues was positive in both the nine months and the third quarter, thanks to the contribution of coffee machines, mainly traditional pump machines, and food preparation products, mainly kitchen machines.
In China and Hong Kong, where more than half of the sales were made using the main e-commerce platforms even before the health crisis, almost all the business was transitioned successfully to the online channels during the lockdown. The market benefitted from the good sales performance of food preparation products (mainly handblenders) and coffee machines, particularly traditional pump and fully automatic models.

MEIA closed the first nine months of 2020 with normalized revenues of €78.5 million, about 16.2% lower than in the same period 2019 (-14.9% in organic terms), but picked up in the third quarter and posted growth, at constant exchange rates, of 7.7% thanks to the positive impact of the reorganization carried out in recent months.

Profitability

The results for the third quarter and the nine months benefitted from the volume effect, a favorable mix, a positive price effect, as well as the containment of some manufacturing costs. In the face of the current health crisis, the Group also quickly took steps to protect margins and use available social safety nets.

The industrial margin amounted to €721.6 million, and went from 47.2% to 49.0% of revenues; the normalized industrial margin came to €733.0 million or 49.4% of revenues, an increase of €117.1 million with respect to the same period 2019.

Despite the uncertain situation, the Group continued to make investments in advertising and promotional activities, to support its brands, which were about €27.9 million higher.
EBITDA before non-recurring/stock option costs benefitted from a reduction of some operative non industrial costs amounted to €208.7 million or 14.2% of revenues (€220.0 million or 14.8% of revenues, normalized), higher both numerically and as a percentage of revenue with respect to the same period of 2019 (€157.9 million or 12.1% of revenues). In normalized terms, EBITDA was 39.3% higher than in the first nine months of 2019 despite the negative exchange effect of €4.7 million, net of which the increase would have reached +42.6%.

The notional cost of the stock options and the non-recurring costs stemming mainly from the health crisis (including the donation of €3.1 million made by the Group to support the containment measures) amounted to €8.2 million in the nine-month period.

After amortization and depreciation of €57.9 million, EBIT came to €142.5 million (9.7% of revenues), or €153.9 million (10.4% of revenues) normalized.

Financial expenses, €14.5 million in normalized terms, were higher with respect to the same period of 2019 (€10.3 million) as a result of larger financial discounts, lower investment income, above all as a result of lower interest rates, offset by gains stemming from the valuation of a few investments using the equity method.

Net of €35.5 million in tax, profit pertaining to the Group amounted to €104.0 million in the first nine months of 2020, 44.7% higher than in the same period of 2019 despite the non-recurring operating expenses, net the relative tax effect, of €6.4 million; net of these items adjusted net profit would have amounted to €110.4 million, an increase of €34.9 million with respect to the first nine months of 2019.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	30.09.2020	30.09.2019	31.12.2019
- Intangible assets	313.2	316.5	314.8
- Property, plant and equipment	311.3	314.8	315.1
- Financial assets	32.8	31.3	30.2
- Deferred tax assets	53.3	60.3	47.3
Non-current assets	**710.7**	**722.9**	**707.4**
- Inventories	483.7	515.7	343.5
- Trade receivables	244.2	251.6	437.4
- Trade payables	(411.4)	(307.0)	(365.8)
- Other payables (net of receivables)	(94.3)	(72.5)	(96.3)
Net working capital	**222.1**	**387.8**	**318.8**
Total non-current liabilities and provisions	**(119.0)**	**(108.6)**	**(113.5)**
Net capital employed	**813.8**	**1,002.1**	**912.6**
(Net financial assets)	**(451.5)**	**(101.5)**	**(277.8)**
Total net equity	**1,265.3**	**1,103.5**	**1,190.5**
Total net debt and equity	**813.8**	**1,002.1**	**912.6**

The Group, despite the crisis and the period of uncertainty, maintained a high level of investments in the nine-month period which amounted to €58.7 million (€55.5 million in the same period 2019) and relate primarily to the new product development projects capitalized among intangible assets and investments in property, plant and equipment, including the purchase of a new plant in Romania and continuation of the work on the new headquarters in Treviso.

Net working capital amounted to €222.1 million at 30 September 2020 (€318.8 million at 31 December 2019; €387.8 million at 30 September 2019), showing significant improvement both numerically and in terms of rolling revenues (9.8% at 30 September 2020 versus 15.2% at year-end 2019 and 18.6% at 30 September 2019). The positive performance reflects the effective, careful management of receivables, resulting in an improved DSO, and lower inventory due to stronger market demand which exceeded supply from the production facilities. Trade payables were higher due to the increase in purchases made in the last quarter.

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

(€/million)	30.09.2020 (9 months)	30.09.2019(*) (9 months)	31.12.2019(*) (12 months)
Cash flow by current operations	205.5	145.8	277.3
Cash flow by changes in working capital	24.9	(85.7)	(22.3)
Cash flow by investment activities	(58.7)	(55.5)	(75.8)
Cash flow by operating activities normalized	**171.6**	**4.6**	**179.1**
IFRS 16 effect	-	(77.0)	(77.0)
Cash flow by operating activities	**171.6**	**(72.4)**	**102.2**
Dividends paid	-	(55.3)	(55.3)
Cash flow by changes in *Fair value* and *Cash flow hedge* reserves	0.4	(3.1)	(1.7)
Cash flow by treasury shares purchase	(14.5)	-	-
Stock options exercise	19.4	-	-
Cash flow by other changes in net equity	(3.2)	4.1	4.5
Cash flow absorbed by changes in net equity	**2.1**	**(54.3)**	**(52.5)**
Cash flow for the period	**173.7**	**(126.6)**	**49.7**
Opening net financial position	277.8	228.1	228.1
Closing net financial position	**451.5**	**101.5**	**277.8**

(*) As IFRS 16 Leases has been applied to all the reporting periods, for the sake of comparison the figures at 30.09.2019 and at 31.12.2019 were restated and, therefore, may differ from the figures already published.

Net operating cash flow was positive for €171.6 million in the reporting period (positive for €4.6 million in the first nine months of 2019, excluding the initial impact of IFRS 16 application) attributable to the trend in profitability referred to above and the containment of working capital.

The cash flow by changes in equity shows the cash generated (€19.4 million) by the exercise of options relative to the Stock Option Plan 2019-2022, partially offset by the cash flow absorbed (€14.5 million) by the purchase of treasury shares.

The net financial position also benefitted from the shareholders' decision not to pay dividends in April given the unprecedented situation.

The net financial position came to a positive €451.5 million at 30 September 2020 (versus positive €277.8 million at 31 December 2019 and positive €101.5 million at 30 September 2019), of which €516.7 million relating to the position with banks (€357.4 million at 31 December 2019 and €180.9 million at 30 September 2019).
This strong and solid financial position will allow the Group to make further investments in products, facilities and sustain the investment plan focused on increasing the Group's production capacity.

Details of the net financial position are as follows:

(€/million)	30.09.2020	30.09.2019	31.12.2019
Cash and cash equivalents	912.2	464.5	731.5
Other current financial receivables	171.1	54.4	102.4
Current financial debt	(153.9)	(141.4)	(138.2)
Net current financial position	**929.4**	**377.5**	**695.7**
Non-current financial receivables and assets	70.1	-	10.7
Non-current financial debt	(547.9)	(276.0)	(428.6)
Non-current net financial debt	**(477.9)**	**(276.0)**	**(417.9)**
Total net financial position	**451.5**	**101.5**	**277.8**
of which:			
- positions with banks and other financial payables	*516.7*	*180.9*	*357.4*
- lease liabilities	*(66.0)*	*(76.0)*	*(74.0)*
- other financial non-bank assets/liabilities (fair value of derivatives, financial debt connected to business combinations and pension fund)	*0.8*	*(3.5)*	*(5.5)*

The statement of comprehensive income and the main changes in net equity with reference to the consolidated figures in the third quarter are shown below:

(€/million)	30.09.2020	30.09.2019
Profit for the period	**104.0**	**71.8**
Other components of comprehensive income	(35.6)	19.5
Total comprehensive income for the period	**68.4**	**91.4**

(€/million)	Group net equity
Net equity at 1 January 2019	**1,065.9**
Fair value stock option	1.6
Distribution of dividends	(55.3)
Total comprehensive income	91.4
Net equity at 30 September 2019	**1,103.5**
Net equity at 1 January 2020	**1,190.5**
Fair value stock option	1.7
Stock options exercise	19.4
Treasury shares purchase	(14.5)
Total comprehensive income	68.4
Net equity at 30 September 2020	**1,265.3**

Content of the interim financial report and alternative performance indicators

The income statement figures refer to the nine months period ending on September 30th 2020, with comparatives at September 30th 2019. The statement of financial position figures refer to September 30th 2020, September 30th 2019 and December 31st 2019.
This report includes details of any significant transactions, including those with related parties.
The key performance indicators presented herein are comparable with the reclassified statements presented in the report on operations contained in the half-year and annual financial reports.

The nine months 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 2019.

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

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

More in detail, the non-GAAP measures used include:
- Net industrial margin and EBITDA: the Group uses these measures as financial targets in internal presentations (business plans) and in external presentations (to analysts and investors), since they are a useful way of measuring operating performance by the Group and its individual divisions besides EBIT.
Net industrial margin is calculated as total revenues minus the cost of materials consumed and of production-related services and payroll.
EBITDA is an intermediate measure that derives from EBIT after adding back depreciation, amortization and impairment of property, plant and equipment and intangible assets. EBITDA is also presented net of non-recurring items 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 above in this report.

Other information

Pursuant to Art. 3 of Consob Resolution n. 18079 of 20 January 2012, the Board of Directors resolved to exercise the opt-out clause provided under Art. 70, 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.

Treasury shares

On 13 March 2020 the Group announced the launch of a buyback program as per the terms and conditions authorized during the Annual General Meeting held on 30 April 2019 which provides for the buyback of up to a maximum of 3,000,000 shares in the period 16 March 2020 through 16 December 2020.

During the Shareholders' Meeting of 22 April 2020, shareholders resolved to renew – after revoking the approval granted by shareholders on 30 April 2019, with regards to the not yet executed part – the authorization to buy and sell treasury shares for up to a maximum of 14.5 million ordinary shares and, in any case, up to an amount which does not exceed 1/5 of the share capital, also taking into account any shares held by the Parent Company De' Longhi S.p.A. and its subsidiaries. The authorization was approved for a period of up to a maximum of 18 months (therefore, through 22 October 2021) in accordance with the law.

In the period 16 March – 30 September 2020 the Group purchased, through an authorized intermediary, a total of 895,350 treasury shares, corresponding to €14,534 thousands recorded in the "Reserve for treasury shares".

Share capital

The Annual General Meeting of De' Longhi S.p.A. held on 14 April 2016 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 2016-2022.

During the nine months of 2020, 946,437 options were exercised and, consequently, the same number of shares were subscribed.

The share capital at 30 September 2020 now comprises 150,446,437 ordinary shares with a par value of €1.5 for a total of €225,670 thousand.

Between the first and the 10th of October, further 91,519 options were exercised and, consequently, the same number of shares with a par value of €1.5 each were subscribed.

The statement on the change in share capital was filed with the Treviso-Belluno Register of Companies on 20 October 2020 in accordance with current regulations and the terms of the law.

At the date of approval of the present financial report, share capital amounts to €225,807 thousand.

The Annual General Meeting of De' Longhi S.p.A. held on 22 April 2020 approved an additional increase of the share capital by up to a maximum nominal amount of €4,500,000 through the issue of a maximum of 3,000,000 ordinary shares with a par value of €1.5 each pari passu with all shares outstanding at the issue date, with regular dividend, in the event the treasury shares held are not enough to service the new Stock Option Plan for the period 2020-2027.

In the nine months of 2020, stock options on 2,180,000 shares were assigned.

Dividends

During the meeting held on 22 April 2020, shareholders voted against the Board of Directors proposal to distribute a gross dividend of €0.54 per outstanding share (net of any treasury shares held). The purpose of the resolution is to provide the Group with the financial support and means needed to face the potentially negative aftermath of the current global crisis, the evolution and impact of which are still unclear.

Subsequent events

As part of the strategy to extend the average maturity of the Group's debt portfolio and in order to take advantage of favorable market conditions, the Board of Directors has granted the Chief Executive Officer the mandate to proceed with the issue of a second tranche of a non-convertible bond, which will not be listed or rated. The 20-year bonds will be underwritten by primary US investors (part of the Prudential Group) for EUR 150 million and mature in 2041. The transaction is expected to be finalized in April 2021.

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

Outlook

De'Longhi believes on the strength of its brands and the potential of its products: beyond the contingent conditions of the market, the Group is convinced of the superiority of iconic products supported by investment campaigns that accompany their development in the medium term. Therefore the investments in innovation, marketing and communication will continue and the current results confirm the correctness of this strategy. Looking at the shorter term, many elements of uncertainty make reading the social and economic context still very difficult. With these results, the management revises the end-of-year guidance upwards and is confident that the Group will be able to close 2020 with organic growth in revenues and an Ebitda before non recurring/stock option costs increasing both in value and as a percentage of revenues. In the longer term, De'Longhi remains focused on the execution of its strategy, according to the value creation model followed so far.

Treviso, November 10th 2020

For the Board of Directors
Chief Executive Officer

Massimo Garavaglia

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Declaration by the Officer Responsible for preparing the Company's Financial Reports

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

Treviso, November 10th 2020

Officer Responsible for Preparing the Company's
Financial Reports

Stefano Biella

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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: Euro 225,806,934 (subscribed and paid-in)
Tax ID and Company Register no.: 11570840154
Treviso Chamber of Commerce no.: 224758
VAT no.: 03162730265