INTERIM FINANCIAL REPORT AT 31 MARCH 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 GARAVGLIA	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 and Risks, Corporate Governance and Sustainability Committee

STEFANIA PETRUCCIOLI **
MARIA CRISTINA PAGNI**
RENATO CORRADA

Remuneration and Appointments Committee

MARIA CRISTINA PAGNI **
STEFANIA PETRUCCIOLI**
CARLO GARVAGLIA

Indipendent 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 Board members was increased to twelve following the appointment during the Shareholders’ Meeting held on 22 April 2020 of Massimo Garavaglia as a member of the Board of Directors, granted the powers of Chief Executive Officer, through the end of the Board’s term of office.
** Independent directors.
*** Assigned by the shareholders' meeting of 24 April 2018 for the financial years 2019-2027.

Key performance indicators

Results

(€/million)	1st quarter 2020	%	1st quarter 2020 normalized	%	1st quarter 2019	%	Change normalized	Change normalized %
Revenues	393.3	100.0%	396.4	100.0%	376.4	100.0%	19.9	5.3%
Revenues at costant exchange rates	*389.9*	*100.0%*	*393.0*	*100.0%*	*376.3*	*100.0%*	*16.7*	*4.4%*
Net industrial margin	198.3	50.4%	201.3	50.8%	181.7	48.3%	19.6	10.8%
EBITDA before non – recurring /stock option costs	42.1	10.7%	45.2	11.4%	36.5	9.7%	8.7	23.8%
EBITDA	36.6	9.3%	44.3	11.2%	35.1	9.3%	9.2	26.2%
EBIT	17.6	4.5%	25.2	6.4%	16.6	4.4%	8.6	51.7%
Profit (loss) pertaining to the Group	11.0	2.8%	14.4	3.6%	11.4	3.0%	3.0	26.4%

Statement of financial position

(€/million)	31.03.2020	31.03.2019	31.12.2019
Net working capital	256.6	345.5	318.8
Net capital employed	855.7	953.6	912.6
Net financial assets	335.0	144.0	277.8
of which:			
- net bank financial assets	*396.8*	*220.8*	*357.4*
- other net non-bank financial receivables/(payables)	*(61.8)*	*(76.9)*	*(79.6)*
Net equity	1,190.7	1,097.6	1,190.5
Net working capital/Net revenues	12.1%	16.8%	15.2%

Definitions

"Normalized" refers to the figures for first quarter 2020 net of the non-recurring costs incurred relating to the current health crisis and the reclassification of a few categories of commercial contributions following the implementation in the fourth quarter of 2019 of a new Commercial Policy in the main European markets.

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

Introduction

This report contains the unaudited consolidated results at 31st March 2020.

The financial results as of March 31st, 2020 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 2019.

General overview

The first months of 2020 were dramatically impacted by the spread worldwide of the coronavirus (Covid-19) outbreak which caused an unprecedented global crisis with serious consequences from a health, social, economic and financial standpoint.

Limiting contagion and mitigating its consequences were the number one priority in these months. Measures restricting mobility and economic activities were implemented first in China and then, subsequently, in Europe, the United States and the rest of the world, albeit with different methods.

From the beginning of the crisis, the 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 understand 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.

With regard to the management of human resources, during the initial phase of the virus outbreak in China the Group applied guidelines based on the recommendations provided by the World Health Organization (WHO), the Chinese government, the government of the Hong Kong Special Administrative Region, the Italian government and other authorities, as well as the recommendations given by health agencies worldwide relating to the conduct recommended for all employees working in China and Hong Kong or who travel for business to/from these countries.
The production plants in Dongguan and Zhongshan observed the one-week extension of the shutdown for Chinese New Year imposed by the authorities and resumed operation with ramped up preventive measures in the second half of February, thanks also to the support of the main suppliers in the area. In the same period the offices in Hong Kong and Shanghai resumed normal operation.

The health crisis spread subsequently to Europe, initially in Italy and, then rapidly, in other countries until it was declared a pandemic.

Beginning in the first week of March, the Italian government adopted extraordinary measures to contain the spread of the outbreak throughout the country which became increasingly strict, culminating in the shutdown of manufacturing activities on 25 March 2020.
The Group, as per the authorities' recommendations, immediately implemented precautionary measures and expanded remote working as much as possible in order to protect the health and safety of its employees and guarantee business continuity; lastly, in response to the law decree calling for the

shutdown of all economic activities, the Italian plant was secured and production was suspended for a limited period of time, to then gradually resume production in accordance with both national and regional directives.

In the meantime, the Chinese plants, which had resumed normal operation capacity, the production facility in Romania and the national and international logistics providers guaranteed operational continuity.

Similar to what happened in Italy, other countries, first in Europe, followed by the United States and the rest of the world, proceeded with a gradual lockdown of economic activities. The Group implemented preventive measures in all its offices in accordance with an internal policy and the regulations of each country, maximizing the use of flexible smart working solutions.
Furthermore, the social safety nets made available by each government are being used where possible in Italy and in the countries where De' Longhi is present.

This interim report, therefore, is presented during what are uncertain times which call for caution including when formulating economic forecasts.
Even though the figures, sales, profitability and cash generation were positive in the first quarter and operations have returned to the levels we expected to see, thanks also to available production capacity and the fact that the supply chain is in full swing, we cannot exclude that prolonged contagion could cause some logistical problems and critical market conditions in general.

Performance review

In an international environment characterized by an unprecedented global crisis, the De' Longhi Group showed great stability, recording positive results in the first quarter of 2020 which translated into higher revenues and margins compared to the first three months of 2019 and good cash generation.

These brilliant results are particularly positive considering the current economic context, characterized by the sizeable restrictions referred to above, generalized supply chain difficulties and, above all, the retail lockdown in a few markets beginning in February.
The Group was able to respond to the difficulties thanks to the strength of its brand, an international presence which made it possible to offset the difficulties encountered in a few countries (for example, Italy) with positive performances in other markets and the ability to quickly adjust its commercial strategy in favor of the e-commerce channel.

The Group's activity in the reporting period was characterized by strong growth, driven by the acceleration seen already in the last three months of 2019 fueled also by the considerable investments made in advertising and promotions.
This growth trend was then impacted by the effects of the epidemic beginning in March.

In the first quarter of 2020 revenues amounted to €393.3 million, an increase of 4.5% compared to the same period in 2019 (€376.4 million) boosted by higher volumes and a positive exchange effect (growth reached 3.6% in organic terms).
Revenues were impacted by the adoption of a new Group Commercial Policy as of the fourth quarter of 2019 in the main European markets which resulted in the redefinition of a few commercial contributions and the consequent reclassification in the financial statements of a few items previously included under financial expense. In the first quarter of 2020 normalized revenues were 5.3% higher than in the 2019 comparison period, coming in at €396.4 million.

In the first quarter of 2019 a positive performance was recorded across all the geographical areas, with the exception of i MEIA.

Revenues amounted to €282.0 million in **Europe**, an increase of 7.6% (+6.8% in organic terms) compared to the first three months of 2019; normalized revenues came to €285.1 million (+8.7% against first quarter 2019). Good results were recorded in Germany, France, Russia, Ukraine and the other CIS countries which close the period with double-digit growth and in Spain. Sales were down in Italy where the impact of the retail lockdown in March was particularly severe.

In **APA** total revenues rose 4.8% (+3.7% in organic terms) against the first three months of 2019 to €91.2 million, thanks above all to the good performance reported in the United States and China/Hong Kong where growth was fueled mainly by e-commerce which was already widespread in the period prior to the health crisis.

MEIA closed the first quarter of 2020 with revenues of €20.0 million, 26.3% lower than in the first three months of 2019 (-27.6% in organic terms) as a result of the difficulties with procurement stemming from the critical issues encountered by the supply chain during the crisis in the Far East.

Looking at business lines, growth in the first quarter of 2020 was driven by coffee products with positive results posted above all by both fully automatic and traditional manual machines, as well as the single serve segment.

In cooking and food preparation, kitchen machines posted a positive performance, while sales for handblenders were unchanged and other small appliances were down.
Sales for comfort were overall stable. Good results were posted by portable air conditioners, which benefitted from higher demand in a few countries and, in terms of comparison, a different phasing in sales with respect to the first quarter of 2019 offset by a drop in the sale of heaters.
In the first quarter of 2020 sales for cleaning products and irons were basically in line with the prior year.

The net industrial margin amounted to €198.3 million, and went from 48.3% to 50.4% of revenues; the normalized net industrial margin came to €201.3 million or 50.8% of revenues. The increase against the first three months of 2019 reflects a better mix, a positive exchange effect and lower manufacturing costs.

EBITDA before non-recurring/stock option costs amounted to €42.1 million or 10.7% of revenues (€45.2 million or 11.4% of revenues normalized), higher both numerically and as a percentage of revenue with respect to the same period of 2019 (€36.5 million or 9.7% of revenues), despite the increased investments made in advertising and client contributions to support the Group's brands which also continued in the current year.

Net of the notional cost of the stock options, the non-recurring costs stemming mainly from the current health crisis (including the donation made by the Group to support the containment measures), as well as amortization and depreciation of €19.1 million, EBIT came to €17.6 million in the first quarter of 2020 (4.5% of revenues), or €25.2 million (6.4% of revenues) normalized.

Financial expenses, €4.5 million in normalized terms, were largely unchanged with respect to the first quarter of 2019 (€5.0 million) thanks to financial management and foreign exchange gains.

Profit pertaining to the Group amounted to €11.0 million in the first three months of 2020, basically in line with the same period of 2019 after taxes of €5.1 million which, in comparison terms, reflects a particularly positive first quarter 2019 that benefitted from a few one-off tax incentives, as well as a different and temporary allocation of the economic results across the consolidated companies.
In normalized terms, namely net of the non-recurring costs incurred in relation to the health emergency and the relative tax effect, net profit would have been €3.0 million higher than in the first quarter of 2019, coming in at €14.4 million.

Net working capital came to €256.6 million at 31 March 2020 (€318.8 million at 31 December 2019; €345.5 million at 31 March 2019) and improved both numerically and as a percentage of rolling revenues (12.1% at 31 March 2020 versus 15.2% at year-end 2019 and 16.8% at 31 March 2019). Net working capital benefitted from the inventory control, consistent with the trend seen at year-end 2019, and the reduction in trade receivables.

The net financial position came to a positive €335.0 million at 31 March 2020 (versus a positive €277.8 million at 31 December 2019 and a positive €144.0 million at 31 March 2019), €396.8 million of which relating to the net position with banks (€357.4 million at 31 December 2019 and €220.8 million at 31 March 2019).

In the first three months of 2020 the net financial position with banks fell by €39.4 million (versus a worsening of €8.2 million, normalized, in the same period of 2019) thanks to positive operating cash flow.

Net operating cash flow, positive for €43.8 million in the quarter (negative for €9.1 million in the first quarter of 2019), reflects the trend in profitability referred to above and working capital.

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	1st quarter 2020	% revenues	1st quarter 2020 normalized	% revenues	1st quarter 2019	% revenues
Revenues	**393.3**	**100.0%**	**396.4**	**100.0%**	**376.4**	**100.0%**
Change	*16.9*	*4.5%*	*19.9*	*5.3%*		
Materials consumed & other production costs (production services and payroll costs)	(195.0)	(49.6%)	(195.0)	(49.2%)	(194.7)	(51.7%)
Net industrial margin	**198.3**	**50.4%**	**201.3**	**50.8%**	**181.7**	**48.3%**
Costs for services and other expenses	(108.5)	(27.6%)	(108.5)	(27.4%)	(98.6)	(26.2%)
Payroll (non-production)	(47.7)	(12.1%)	(47.7)	(12.0%)	(46.6)	(12.4%)
EBITDA before non-recurring / stock option costs	**42.1**	**10.7%**	**45.2**	**11.4%**	**36.5**	**9.7%**
Change	*5.6*	*15.4%*	*8.7*	*23.8%*		
Non-recurring expenses / stock option costs	(5.5)	(1.4%)	(0.9)	(0.2%)	(1.4)	(0.4%)
EBITDA	**36.6**	**9.3%**	**44.3**	**11.2%**	**35.1**	**9.3%**
Amortization	(19.1)	(4.8%)	(19.1)	(4.8%)	(18.5)	(4.9%)
EBIT	**17.6**	**4.5%**	**25.2**	**6.4%**	**16.6**	**4.4%**
Change	*0.9*	*5.7%*	*8.6*	*51.7%*		
Financial income (expenses)	(1.5)	(0.4%)	(4.5)	(1.1%)	(5.0)	(1.3%)
Profit (loss) before taxes	**16.1**	**4.1%**	**20.7**	**5.2%**	**11.6**	**3.1%**
Income taxes	(5.1)	(1.3%)	(6.3)	(1.6%)	(0.2)	(0.1%)
Profit (loss) pertaining to the Group	**11.0**	**2.8%**	**14.4**	**3.6%**	**11.4**	**3.0%**

Revenues

Net revenues amounted to €393.6 million in the first quarter of 2020, an increase of 4.5% against the same period of 2019.
The figure reflects the impact of the Group Commercial Policy adopted as of the fourth quarter of 2019 which resulted in the redefinition of a few client contributions and the consequent reclassification of a few items previously included under financial expense as adjustments to revenue in the main European markets.
The performance is particularly positive also in light of an environment characterized by the spread of an unprecedented global crisis which caused, in addition to the lock-down of retail in a few markets, difficulties in procurement particularly in the APA and MEIA regions which were hit harder by the first phase of the crisis in the Far East.
Normalized revenues amounted to €396.4 million, an increase of 5.3% compared to the comparison figure 2019.

Growth was driven by the sale of coffee products which overall rose by approximately +16% compared to the first quarter of 2019 with positive results posted by both fully automatic and traditional manual machines, as well as the single serve segment.
Sales for cooking and food preparation products were weak, despite the recovery in the sale of Kenwood brand kitchen machines which closed the first quarter of 2020 up by roughly 9%.
Sales for comfort were overall in line with the first three months of 2019; the performance reflects the combined effect of a good performance for portable air conditioners, which benefitted from higher demand in a few markets, and the comparison with a weak first quarter 2019 during which sales for heating products fell.
Sales for cleaning products and irons were basically in line with 2019.

Markets

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

(€/million)	1st quarter 2020	%	1st quarter 2020 normalized	%	1st quarter 2019	%	Change normalized	Change % normalized	Organic change % normalized
EUROPE	282.0	71.7%	285.1	71.9%	262.2	69.7%	22.9	8.7%	8.0%
APA	91.2	23.2%	91.2	23.0%	87.1	23.1%	4.2	4.8%	3.7%
MEIA	20.0	5.1%	20.0	5.1%	27.2	7.2%	(7.1)	(26.3%)	(27.6%)
Total revenues	**393.3**	**100.0%**	**396.4**	**100.0%**	**376.4**	**100.0%**	**19.9**	**5.3%**	**4.4%**

In the first quarter of 2020 a positive performance was recorded across all the geographical areas, with the exception of MEIA.

Revenues amounted to €282.0 million In **Europe**, an increase of 7.6% (+6.8% in organic terms) compared to the first three months of 2020; normalized revenues came to €285.1 million (+8.7% against first quarter 2019).
Positive results were recorded in Germany which closed the first quarter of 2020 with double-digit revenue growth compared to the same period 2019 thanks, above all, to the contribution of coffee, mainly fully automatic machines, but also traditional manual machines and single serve products, as well as an uptick in the sale of Kenwood brand kitchen machines and the good results posted by portable air conditioners which benefitted from higher demand and a different sales cycle than previous years.
The French market also reported double-digit growth thanks to the good sales performance of coffee and, more specifically, the fully automatic machines.

Russia, Ukraine and the other CIS countries also made a positive contribution, closing the quarter with growth in fully automatic coffee machines and Braun brand irons.
In the United Kingdom revenues in the first quarter of 2020 were basically in line with the first three months of 2019, thanks also the positive exchange effect.
Italy was down due to the difficult market conditions encountered toward the end of the quarter caused by the lock-down of retail businesses.
The Czech Republic, Slovakia and Hungary closed the first quarter of 2020 down overall.

In **APA** revenues rose 4.8% (+3.7% in organic terms) against the first quarter of 2019 to €91.2 million.
Sales were up by roughly 11% in the United States and Canada, driven by coffee even though a few products were affected by a lack of stock stemming from the temporary procurement issues experienced in the initial phase of the health crisis in the Far East; comfort's positive performance benefitted, in comparative terms, from a different phasing in the sale of portable air conditions.
Positive results were also reported in China and Hong Kong thanks above all to the sale of Braun brand handblenders.
In Australia and New Zealand sales in the first quarter of 2020 were basically unchanged with respect to the same period of 2019 (+0.3% in organic terms).

MEIA closed the first quarter of 2020 with revenues of €20.0 million, lower than in the first three months of 2019 as a result of the greater difficulties with procurement stemming from the critical issues encountered by the supply chain during the crisis in the Far East.

Profitability

The net industrial margin amounted to €198.3 million, and went from 48.3% to 50.4% of revenues; in normalized terms the industrial margin came to €201.3 million or 50.8% of revenues. The first quarter of 2020 benefitted from a better mix, a positive exchange effect and lower manufacturing costs.

EBITDA before non-recurring/stock option costs amounted to €42.1 million or 10.7% of revenues (€45.2 million or 11.4% of revenues normalized), higher both numerically and as a percentage of revenue with respect to the same period of 2019 (€36.5 million or 9.7% of revenues), even though the Group continued to invest in advertising and client contributions to support the brands.

Net of the notional cost of the stock options, the non-recurring costs stemming mainly from the current health crisis (including the donation made by the Group to support the containment measures), as well as amortization and depreciation of €19.1 million, EBIT came to €17.6 million in the first quarter of 2020 (4.5% of revenues), or €25.2 million (6.4% of revenues) normalized.

Financial expenses, €4.5 million in normalized terms, were largely unchanged with respect to the first quarter of 2019 (€5.0 million) thanks to foreign exchange gains and the positive impact of the equity investments consolidated using the equity method.

Profit pertaining to the Group amounted to €11.0 million in the first three months of 2020, basically in line with the same period of 2019 after taxes of €5.1 million, which in comparison terms reflects a particularly positive first quarter 2019 that benefitted from a few one-off tax incentives, as well as a different and temporary allocation of the economic results across the consolidated companies.
In normalized terms, namely net of the non-recurring costs incurred in relation to the health emergency and the relative tax effect, net profit would have been €3.0 million higher than in the first quarter of 2019, coming in at €14.4 million.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	31.03.2020	31.03.2019	31.12.2019
- Intangible assets	314.5	317.3	314.8
- Property, plant and equipment	320.2	316.9	315.1
- Financial assets	31.4	30.7	30.2
- Deferred tax assets	48.1	51.3	47.3
Non-current assets	**714.3**	**716.1**	**707.4**
- Inventories	407.7	488.2	343.5
- Trade receivables	220.4	244.8	437.4
- Trade payables	(316.8)	(337.8)	(365.8)
- Other payables (net of receivables)	(54.6)	(49.6)	(96.3)
Net working capital	**256.6**	**345.5**	**318.8**
Total non-current liabilities and provisions	**(115.2)**	**(108.0)**	**(113.5)**
Net capital employed	**855.7**	**953.6**	**912.6**
Net financial assets	**(335.0)**	**(144.0)**	**(277.8)**
Total net equity	**1,190.7**	**1,097.6**	**1,190.5**
Total net debt and equity	**855.7**	**953.6**	**912.6**

Capital expenditures in the first three months of 2020 related mainly to plant, property and equipment and included the purchase of a new production plant in Romania, as well as the progress made on the construction of the headquarters in Treviso.

Net working capital amounted to €256.6 million at 31 March 2020 (€345.5 million at 31 March 2019), or 12.1% of rolling revenues (16.8% at the end of March 2019). Net working capital benefitted from inventory control, consistent with the trend seen at year-end 2019, and the reduction in trade receivables stemming from exchange differences and an improvement in credit collection.

The net financial position came to a positive €335.0 million at 31 March 2020 (versus €144.0 million at 31 March 2019; €277.8 million at 31 December 2019), including lease payables recognized in accordance with IFRS 16 *Leases* of €70.7 million and other nonbank assets of €8.9 million.
The net position with banks benefitted from lower absorption of net working capital for the reasons mentioned above and came to €396.8 million at 31 March 2020, an improvement of €39.4 million.

Details of the net financial position are as follows:

(€/million)	31.03.2020	31.03.2019	31.12.2019
Cash and cash equivalents	752.4	542.4	731.5
Other financial receivables	114.6	55.4	102.4
Current financial debt	(127.2)	(153.4)	(138.2)
Net current financial position	**739.7**	**444.4**	**695.7**
Non-current financial debt	**(404.7)**	**(300.5)**	**(417.9)**
Total net financial position	**335.0**	**144.0**	**277.8**
of which:			
- positions with banks and other financial payables	*396.8*	*220.8*	*357.4*
- lease liabilities	*(70.7)*	*(77.9)*	*(74.0)*
- other financial non-bank asset/liabilities (fair value of derivatives, financial debt connected to business combinations and pension fund)	*8.9*	*1.0*	*(5.5)*

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

(€/million)	31.03.2020 (3 months)	31.03.2019(*) (3 months)	31.12.2019(*) (12 months)
Cash flow by current operations	35.5	29.8	277.3
Cash flow by changes in working capital	35.5	(24.5)	(22.3)
Cash flow by investment activities	(27.2)	(14.4)	(75.8)
Cash flow by operating activities normalized	**43.8**	**(9.1)**	**179.1**
IFRS 16 adoption	-	(80.7)	(77.0)
Cash flow by operating activities	**43.8**	**(89.9)**	**102.2**
Dividends paid	-	-	(55.3)
Cash flow by changes in *Fair value* and *Cash flow hedge* reserves	7.6	2.5	(1.7)
Share buy-back	(5.0)	-	-
Cash flow by other changes in net equity	10.9	3.2	4.5
Cash flow absorbed by changes in net equity	**13.5**	**5.7**	**(52.5)**
Cash flow for the period	**57.2**	**(84.2)**	**49.7**
Opening net financial position	277.8	228.1	228.1
Closing net financial position	**335.0**	**144.0**	**277.8**

(*) As IFRS 16 *Leases* has been applied to all the reporting periods, for the sake of comparison the figures at 31.03.2019 and at 31.12.2019 were restated and, therefore, differ from the figures already published.

Net operating cash flow, positive for €43.8 million in the quarter (negative €9.1 million normalized in the first quarter of 2019), reflects the trend in profitability referred to above and lower working capital.

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

(€/million)	1st quarter 2020	1st quarter 2019
Profit for the period	**11.0**	**11.4**
Other components of comprehensive income	(6.1)	19.9
Total comprehensive income for the period	**4.9**	**31.3**

(€/million)	Net equity
Net equity at 1st January 2019	**1,065.9**
Fair value stock option	0.4
Total comprehensive income for the 1st quarter 2019	31.3
Net equity at 31st March 2019	**1,097.6**
Net equity at 1st January 2020	**1,190.5**
Fair value stock option	0.4
Treasury stock	(5.0)
Total comprehensive income for the 1st quarter 2020	4.9
Net equity at 31st March 2020	**1,190.7**

Content of the interim financial report and alternative performance indicators

The income statement figures refer to the period ending on 31st March 2020, with comparatives at 31st March 2019. The statement of financial position figures refer to 31st March 2020, 31st March 2019 and 31st December 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 consolidated figures have been prepared using the same consolidation procedures and accounting policies as those described in the annual financial report, to which the reader should refer.
The consolidated financial figures were prepared using the same accounting policies as those used to prepare the consolidated financial statements at 31 December 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/stock option costs.
- Net working capital: this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, current tax liabilities and other payables.
- Net capital employed: this measure is the sum of net working capital, intangible assets, property, plant and equipment, equity investments, other non-current receivables, and deferred tax assets, minus deferred tax liabilities, employee benefits and provisions for contingencies and other charges.
- Net debt/(net financial position): this measure represents gross financial liabilities less cash and cash equivalents and other financial receivables. The individual line items in the statement of financial position used to determine this measure are analysed 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, 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.

Treasury shares

On 13 March 2020 the Group announced the beginning of a share buyback, consistent with the terms approved during the Ordinary Shareholders' Meeting held on 30 April 2019 which calls for the buyback of up to a maximum of 3,000,000 shares beginning on 16 March 2020 through 16 December 2020. Toward this end, in the period 16 March through and 31 March 2020 the Group purchased a total of 332,464 treasury shares (equal to 0.222% of the total number of ordinary shares) for a total of €5,023,111.08 through an authorized intermediary.

Subsequent events

As resolved during the Ordinary Shareholders' Meeting held on 22 April 2020 to approve the financial statements for FY 2019, the Board of Directors appointed the new director Massimo Garavaglia, Chief Executive Officer and General manager of De' Longhi S.p.A. and granted him the relative delegated powers.
Beginning on 1 May 2020 Massimo Garavaglia took over the role of Chief Executive Officer from Fabio de' Longhi, who will remain Vice Chairman of the Company with the same powers previously held in order to fully support the new CEO's operations during this important organizational transition and continue to use his extensive experience to provide guidance in the development of the Group's strategies.

The Shareholders' Meeting also voted against the Board of Directors proposal to distribute a gross dividend of €0.54 per outstanding share (net of any treasury shares held) for a total of about €80 million. 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 consequent impact of which are still unclear.
In this environment the Group, despite its healthy and solid financial situation, decided to enhance liquidity in order to increase the financial resources available to support the business given the extreme uncertainty as to the how the health crisis will unfold and if a hypothetical worst case scenario were to materialize, by taking out new medium/long-term loans.
To date loan agreements for new medium/long-term loans totaling €150 million have been signed.

The Shareholders' Meeting also approved the Board of Directors' proposal to adopt the "Stock Option Plan 2020-2027" reserved for the Chief Executive Officer and a limited number of the Group's top managers.
Based on the Plan beneficiaries may be assigned up a to a maximum of 3,000,000 options for the purchase or subscription of an equal number of shares taken from: (i) the treasury shares purchased by the Parent Company De' Longhi S.p.A. on the market to service the Plan as authorized by the shareholders in the event sufficient treasury shares are not available on the date the beneficiary

exercises the options, (ii) a cash capital increase to be carried out on one or more occasions, excluding option rights, approved by the Shareholders' Meeting to service the Plan. Each option will grant the beneficiary the right to subscribe one De' Longhi share as per the conditions set forth in the Plan regulations approved by the Shareholders' Meeting.

During the Shareholders' Meeting, shareholders also resolved to renew – after revoking the approval granted by shareholders on 30 April 2019 – the authorization to buy and sell treasury shares for up to a maximum of 14.5 million ordinary shares and, at any rate, 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.
The share buyback program continued and, as a result of the purchases made, at the date of this report, the Group holds 733,136 treasury shares or 0.490% of the total number of ordinary shares.

No other significant events took place after the close of the quarter.

Outlook

Given the complexity of the international scenario following the expansion of the pandemic from Covid-19, with the elements in our possession, it is not possible to provide a guidance for the current year with sufficient reliability. During the last few days, following the progressive loosening of the containment measures decided by the Italian government, production activity in the Italian plant was restarted and the factory returned to run at full speed at the end of last week, like all others factories of the Group.
Looking at the evolution of the second quarter, on the basis of the first trend signs of the first weeks of the quarter, it is confirmed that the impact on sales flows of the contagion containment measures adopted by many governments, which limited social mobility and closed large part of the points of sale of the traditional distribution. The positive support that comes in this period from the e-commerce platforms, own and third parties, and from the strength of the Group's brands and core products remains confirmed.

Treviso, 12 May 2020

For the Board of Directors
Chief Executive Officer

Massimo Garavaglia

*****

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, 12 May 2020

Officer Responsible for Preparing the Company's Financial Report

Stefano Biella

*****

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