INTERIM FINANCIAL REPORT AT 30 SEPTEMBER 2019

DēLonghi Group

COMPANY OFFICERS *

Board of Directors

GIUSEPPE DE'LONGHI	Chairman
FABIO DE'LONGHI	Vice Chairman and 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.
** 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 [1]

Results

(€/million)	3rd quarter 2019	% revenues	3rd quarter 2019 normalized[2]	% revenues	3rd quarter 2018	% revenues	Change normalized[2]	Change % normalized[2]
Revenues	458.2	100.0%	458.2	100.0%	445.6	100.0%	12.5	2.8%
Revenues at costant exchange rates	*451.4*	*100.0%*	*451.4*	*100.0%*	*444.4*	*100.0%*	*7.0*	*1.6%*
Net industrial margin	216.4	47.2%	216.4	47.2%	210.5	47.2%	5.9	2.8%
EBITDA before non – recurring /stock option costs	60.1	13.1%	54.9	12.0%	53.1	11.9%	1.9	3.5%
EBITDA before non – recurring /stock option costs at costant exchange rates			*55.6*	*12.3%*	*52.8*	*11.9%*	*2.8*	*5.2%*
EBIT	38.2	8.3%	37.9	8.3%	35.0	7.9%	2.9	8.1%
Profit (loss) pertaining to the Group	29.0	6.3%	29.1	6.4%	26.0	5.8%	3.1	11.9%

(€/million)	30.09.2019	% revenues	30.09.2019 normalized[2]	% revenues	30.09.2018	% revenues	Change normalized[2]	Change % normalized[2]
Revenues	1,303.7	100.0%	1,303.7	100.0%	1,300.3	100.0%	3.4	0.3%
Revenues at costant exchange rates	*1,285.8*	*100.0%*	*1,285.8*	*100.0%*	*1,300.0*	*100.0%*	*(14.3)*	*(1.1%)*
Net industrial margin	615.9	47.2%	615.9	47.2%	617.6	47.5%	(1.6)	(0.3%)
EBITDA before non – recurring /stock option costs	157.9	12.1%	143.1	11.0%	162.2	12.5%	(19.1)	(11.8%)
EBITDA before non – recurring /stock option costs at costant exchange rates			*147.5*	*11.5%*	*162.2*	*12.5%*	*(14.7)*	*(9.0%)*
EBIT	96.2	7.4%	95.4	7.3%	112.9	8.7%	(17.5)	(15.5%)
Profit (loss) pertaining to the Group	71.8	5.5%	72.4	5.6%	82.0	6.3%	(9.5)	(11.6%)

[1] In light of the industrial partnership agreement finalized in December 2018, which called for the sale of the majority interest in NPE S.r.l., unless indicated otherwise the figures for 2018, commented on in this report, refer to continuing operations, namely the consolidation perimeter excluding NPE S.r.l..

[2] The interim consolidated financial figures as at 30 September 2019 were prepared in accordance to the requirements of the new IFRS 16 *Leases*. For sake of comparison, official data pertaining to 2019 were normalized by excluding the impacts of the adoption of IFRS 16; for further information, please refer to paragraph *Content of the interim financial report and alternative performance indicators*.

Statement of financial position

(€/million)	**30.09.2019**	**30.09.2019 normalized[2]**	**30.09.2018**	**31.12.2018**
Net working capital	387.8	387.6	386.6	322.5
Net capital employed	1,002.1	926.7	904.0	837.8
Net financial assets	101.5	177.5	54.5	228.1
of which:				
- *Net bank financial position*	*180.9*	*180.9*	*59.0*	*229.0*
- *Other financial receivables/(payables)*	*(79.5)*	*(3.5)*	*(4.5)*	*(0.9)*
Net equity	1,103.5	1,104.1	958.5	1,065.9
Net working capital/Net revenues	18.6%	18.6%	19.0%	15.5%

[2] The interim consolidated financial figures as at 30 September 2019 were prepared in accordance to the requirements of the new IFRS 16 *Leases*. For sake of comparison, official data pertaining to 2019 were normalized by excluding the impacts of the adoption of IFRS 16; for further information, please refer to paragraph *Content of the interim financial report and alternative performance indicators*.

Introduction

This report contains the unaudited consolidated results at 30 September 2019.

The financial results as of 30 September 2019 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 2018.

In light of the industrial partnership agreement currently being finalized, which calls for the sale of the majority interest in NPE S.r.l., unless indicated otherwise the results commented on in this report refer to continuing operations, namely the consolidation perimeter excluding NPE S.r.l.

The consolidated financial figures were prepared using the same accounting policies as those used to prepare the consolidated financial statements at 31 December 2018 except for IFRS 16 *Leases* applicable beginning on 1 January 2019; for further information, please refer to paragraph *Content of the interim financial report and alternative performance indicators*.
For sake of comparison, official data pertaining to 2019 were normalized by excluding the impacts of the adoption of IFRS 16.

Performance review and significant events

The performance recorded in the third quarter of 2019 showed improvement in revenues and margins compared to the same period of 2018 and confirmed a trend already seen in the second quarter of the year, in what was a complex political and economic environment in a few core markets.

In the third quarter of 2019 revenues rose €12.5 million (+2.8%, +1.6% in organic terms) against the same period of the prior year to €458.2 million.
Revenues amounted to €1,303.7 million in nine months of 2019, largely in line with the first nine months of 2018 (€1,300.3 million) thanks to the good performances posted in the second and third quarters which helped to offset the weakness seen in the first few months of the year.
Revenues in the first nine months benefitted from higher sales volumes and a positive exchange effect, but were, however, impacted by a negative price effect, as well as noticeable discontinuities: in capsule machines, the interruption in direct sales to Nespresso boutiques in a few countries, the phase out of a few DolceGusto models and, in comparative terms, the launch in early 2018 of the *LattisimaOne* model; in air conditioning, the early sale of air conditioners in the United States in the fourth quarter of 2018. The Group's sales were also affected by the commercial restructuring and reorganization underway in a few markets.

Looking at product lines, the increasing importance of coffee products (which represent 48% of the Group's business), was confirmed with positive results in both the quarter and the nine months period. Sales for fully automatic, traditional and manual machines, as well as Nespresso outsourced products were positive, while sales for internally manufactured Nespresso products were down, but recovered in the third quarter. Sales for DolceGusto products were penalized by the phase-out of a few low margin models, including in the third quarter.
The food preparation segment was still weak due to a general decline in the main European markets.
As for comfort, the good results for air conditioners in Europe, particularly northern Europe, helped to offset the weakness recorded in the first three months of the year linked to a different phasing in sales in the United States where, in the latter part of 2018, sales of portable air conditioners were anticipated in preparation for increased import tariffs. Sales for heating products were impacted by the unfavorable climate season in APA attributable to a particularly mild winter in the first months of the year.
Cleaning and iron products posted positive results in both the nine months period and the quarter.

The performance in revenues varied in the different geographical areas.
Europe posted growth of 3.6% in the nine months of 2019 thanks to the acceleration recorded in the third quarter sustained largely by the coffee segment; APA was down 5.1% compared to the same period of 2018 due mainly to a few discontinuities and a lackluster season for heating; a decline of 8.2% against the nine months of 2018 was reported in MEIA attributable to uncertainty in the main markets.

In the third quarter of 2019 the net industrial margin was stable compared to the same period of the prior year as a percentage of revenue (47.2%), but up 2.8% outright, showing further recovery from the loss suffered in the first quarter of the year.
The net industrial margin amounted to €615.9 million or 47.2% of revenue in the nine months of 2019, largely in line with the same period of 2018 (47.5%) thanks to higher sales volumes and a better mix which offset the increase in manufacturing costs and the negative price effect.

EBITDA before non-recurring/stock option costs, which amounted to €157.9 million (12.1% of revenue), benefitted for €14.8 million from the application of the new IFRS 16 *Leases*.
Based on the same accounting standards, normalized EBITDA before non-recurring/stock option costs amounted to €143.1 million (11.0% of revenue), down compared to the same period of the prior year, despite the good performance recorded in the second and third quarters, due to the negative first quarter. The normalized EBITDA before non-recurring/stock option costs was impacted by the negative exchange effect, higher investments in advertising and promotional activities, as well as higher import tariffs and supply chain costs in the United States.
In the third quarter normalized EBITDA before non-recurring/stock option costs came to €54.9 million, an increase of €1.9 million against the comparison period (+3.5%, +5.2% in organic terms) and improved slightly as a percentage of revenue.

Net of the €1.6 million in stock option costs and non-recurring expenses of €3.0 million attributable mainly to the commercial restructuring and reorganization underway, EBITDA amounted to €153.3 million or 11.8% of revenue (€138.5 million or 10.6% of revenue in normalized terms) in the nine months 2019.

EBIT, after amortization and depreciation of €57.2 million including the portion of the right of use capitalized in accordance with IFRS 16, came to €96.2 million (€95.4 million in normalized terms).

Net financial expenses in nine months of 2019 were lower compared to the same period of 2018, thanks primarily to effective liquidity and currency management.

Net profit amounted to €71.8 million in the period after taxes of €14.0 million which reflect the recognition of both the patent box incentives and non-recurring deferred tax assets.

The net financial position came to €101.5 million at 30 September 2019, including the €76.0 million lease liabilities recognized in accordance with IFRS 16.
Net of IFRS 16 application, the normalized net financial position amounts to €177.5 million (€54.5 million at 30 September 2018 and €228.1 million at 31 December 2018), €180.9 million of which relating to the net position with banks (€59.0 million at 30 September 2018; €229.0 million at 31 December 2018).

Net operating cash flow before IFRS 16 application, positive for €2.5 million in the first nine months of 2019 (negative for €59.1 million in the same period of 2018), reflects, above all, the lower absorption of net working capital, which benefitted from effective credit management and the gradual decrease in inventory due to the steps taken over the last few months to reduce stock.

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	30.09.2019	% revenues	30.09.2019 normalized (1)	% revenues	30.09.2018	% revenues
Revenues	**1,303.7**	**100.0%**	**1,303.7**	**100.0%**	**1,300.3**	**100.0%**
Change	*3.4*	*0.3%*	*3.4*	*0.3%*		
Materials consumed & other production costs (production services and payroll costs)	(687.8)	(52.8%)	(687.8)	(52.8%)	(682.8)	(52.5%)
Net industrial margin	**615.9**	**47.2%**	**615.9**	**47.2%**	**617.6**	**47.5%**
Services and other operating expenses	(322.3)	(24.7%)	(337.1)	(25.9%)	(323.1)	(24.8%)
Payroll (non-production)	(135.7)	(10.4%)	(135.7)	(10.4%)	(132.3)	(10.2%)
EBITDA before non-recurring/stock option costs	**157.9**	**12.1%**	**143.1**	**11.0%**	**162.2**	**12.5%**
Change	*(4.3)*	*(2.6%)*	*(19.1)*	*(11.8%)*		
Other non-recurring expenses/ stock option costs	(4.6)	(0.4%)	(4.6)	(0.4%)	(5.0)	(0.4%)
EBITDA	**153.3**	**11.8%**	**138.5**	**10.6%**	**157.1**	**12.1%**
Amortization	(57.2)	(4.4%)	(43.1)	(3.3%)	(44.2)	(3.4%)
EBIT	**96.2**	**7.4%**	**95.4**	**7.3%**	**112.9**	**8.7%**
Change	*(16.8)*	*(14.8%)*	*(17.5)*	*(15.5%)*		
Net financial income (expenses)	(10.3)	(0.8%)	(8.9)	(0.7%)	(14.0)	(1.1%)
Profit (loss) before taxes	**85.9**	**6.6%**	**86.5**	**6.6%**	**98.9**	**7.6%**
Taxes	(14.0)	(1.1%)	(14.0)	(1.1%)	(16.9)	(1.3%)
Net profit of *continuing operations*	**71.8**	**5.5%**	**72.4**	**5.6%**	**82.0**	**6.3%**

(1 The interim consolidated financial figures as at 30 September 2019 were prepared in accordance to the requirements of the new IFRS 16 *Leases*. For sake of comparison, official data pertaining to 2019 were normalized by excluding the impacts of the adoption of IFRS 16; for further information, please refer to paragraph *Content of the interim financial report and alternative performance indicators*.

Revenues

Net revenues amounted to €1,303.7 million in the first nine months of 2019, largely unchanged (+0.3%) with respect to the comparison period (€1,300.3 million).
In the third quarter of 2019 revenues were 2.8% higher than in the comparison period which confirmed the positive trend already seen in the second quarter and helped to offset the weakness recorded in the early part of the year.
Revenues in the first nine months benefitted from higher sales volumes and a positive exchange rate effect, but were, however, impacted by a negative price effect, as well as noticeable discontinuities: in capsule machines, the interruption in direct sales to Nespresso boutiques in a few countries, the phase out of a few DolceGusto models and, in comparative terms, the launch in early 2018 of the *LattisimaOne* model; in air conditioning, the early sale of air conditioners in the United States in the fourth quarter of 2018 (around €10 million).
The Group's sales were also affected by the decision to reorganize the business in a few unprofitable markets like Turkey, Chile and Brazil which caused a decrease in turnover of around €4.1 million.

Product lines

Looking at product lines, the increasing importance of **coffee products** for the Group was confirmed (48% of the total business), with positive results in both the quarter (+14.5%; +12.9% in organic terms) and the nine months period (+5.1%; +3.9% in organic terms).
The positive trend in the sale of fully automatic machines continued in the wake of the second quarter performance, with double-digit growth in the period July – September 2019 compared to the same period of 2018 and an increase of 8.9% in the nine months period thanks also to the launch of the new fully automatic *Maestosa* machine.
Sales for traditional and manual machines were also positive, posting growth of more than 20% for the entire period thanks also to the contribution of the new *La Specialista* model.
Sales for outsourced Nespresso products were also up, despite the interruption in direct sales to Nespresso boutiques in a few countries, while sales for internally manufactured Nespresso products were down, but recovered in the third quarter, explained also by the comparison with 2018 when the *LattissimaOne* model was launched. Sales for DolceGusto products were impacted, including in the third quarter, by the phase out of a few low-margin models.

The **food preparation** segment was still weak due to a general decline in the main European markets.

As for **comfort**, the good results for air conditioners in Europe, particularly northern Europe, helped to offset the weakness recorded in the first three months of the year linked to a different phasing in sales in the United States where, in the latter part of 2018, sales of portable air conditioners were anticipated in preparation for increased import tariffs. Sales for heating products were impacted by the unfavorable climate season in APA attributable to a particularly mild winter.

Sales for **cleaning and iron products** were positive in both the nine months period (+10.5%) and the quarter (+5.8%).

Markets

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

(€/million)	30.09.2019	%	30.09.2018	%	Change	Change %	Organic change %
EUROPE	870.6	66.8%	840.5	64.6%	30.1	3.6%	3.1%
APA (Asia / Pacific / Americas)	339.5	26.0%	357.9	27.5%	(18.4)	(5.1%)	(7.8%)
MEIA (Middle East / India / Africa)	93.6	7.2%	101.9	7.8%	(8.3)	(8.2%)	(12.4%)
Total revenues	**1,303.7**	**100.0%**	**1,300.3**	**100.0%**	**3.4**	**0.3%**	**(1.1%)**

The performance in revenues varied from market to market.

In the first nine months of 2019 revenues rose 3.6% (+3.1% at constant exchange rates) to €870.6 million in **Europe** thanks to the increase of 7.4% (6.4% in organic terms), sustained largely by coffee.
The double-digit growth seen in the first half was confirmed in the French market, thanks above all to the sale of fully automatic machines. A positive trend was maintained in the UK, despite the uncertainty of Brexit, thanks to pricing measures designed to offset the precarious political situation and the good performance of online sales. Sales were basically unchanged in Germany, where a particularly favorable summer season sustained high volumes in the air conditioning segment, the sale of kitchen machines benefitted from a favorable market and fully automatic machines maintained the leading market share, despite a few changes in the distribution strategy. In Spain the good performance of coffee products, particularly Nespresso and DolceGusto products, and higher sales of kitchen machines offset the drop in handblender sales due to a particularly competitive market. A slight drop was recorded in the Italian market, due to a weak season for air conditioners (with a good sell out which will bring positive results in 2020) that penalized the good results posted by the coffee products segment which posted double-digit growth in sales thanks to the good performance of fully automatic, traditional and manual machines, as well as internally manufactured Nespresso products.
In eastern Europe, the Group continued to post a good sales performance.
Double-digit growth continued in Poland driven by the sale of fully automatic coffee machines.
Russia, Ukraine and the other CIS countries posted growth of more than 10% in both the nine months period and the quarter with a good performance for coffee products (above all fully automatic, traditional and manual machines) and cooking products (handblenders and kitchen machines).
A positive performance was also recorded in the Czech Republic, Slovakia and Hungary.

APA posted revenues of €339.5 million in the period under examination, falling 5.1% against the same period of 2018 due mainly to a few discontinuities and a lackluster season for heating.
In the United States sales were driven by the good growth reported by all categories of coffee products, with the exception of the Nespresso products manufactured internally, as well as handblenders, above all in the third quarter. As for comfort, revenues were penalized by the discontinuities described above relative to air conditioning and the trade disputes with China which caused the Group to revise its purchasing schedule and commence with gradual price increases which should stabilize over the course of 2020.
Sales in Australia, after a weak performance in the first quarter due to mild weather conditions, were basically flat in the second and third quarters thanks to better control of promotions and sales terms and conditions, above all in the coffee segment, and despite a decrease in the sale of low margin household appliances.
In Japan turnover was basically flat, despite the decrease in the sale of heating products recorded in the first part of the year attributable to a mild winter.
The decrease in revenues recorded in Greater China reflects the change in the business model with reference to an on-line customer and the above mentioned interruption in the sale of low margin DolceGusto products, versus a growing focus on fully automatic machines; with regard to food preparation, the good performance of handblender sales offset the drop recorded in the sale of kitchen machines. The drop in the sale of comfort products is attributable to what was a particularly mild winter. The recent political tensions in the Hong Kong area led to a general decline in consumption.

MEIA reported revenues of €93.6 million in the nine months period, down compared to the first nine months of 2018. The region was impacted by macroeconomic and political issues, above all in Saudi Arabia, and strong competition in EAU; sales increased in Africa (above all in Egypt). The area was also affected by the commercial reorganization underway in Turkey and the adoption, consequently, of a new business model. Irons posted the most growth, with expectations for a further increase in market share thanks, in particular, to the new Braun brand models. Sales for coffee products increased though the focus is still on traditional manual machines; the performance for food preparation was negative with the exception of kitchen machines.

Profitability

In the third quarter of 2019 the net industrial margin was stable compared to the same period of the prior year as a percentage of revenue (47.2%), but rose 2.8% outright to €216.4 million.
The net industrial margin amounted to €615.9 million or 47.2% of revenue in the nine months of 2019, largely in line with the same period of 2018 thanks to higher sales volumes and a better mix which offset the increase in manufacturing costs and the negative price effect.

Application of the new IFRS 16 *Leases* had a positive impact on EBITDA before non-recurring/stock option costs of €5.2 million in the third quarter and €14.8 million in the nine months period.
Based on the same accounting standards, normalized EBITDA before non-recurring/stock option costs came to €54.9 million in the third quarter, an increase of 3.5% against the same period of 2018.
Normalized EBITDA before non-recurring/stock option costs amounted to €143.1 million (11.0% of revenue) in the nine months of 2019, down 11.8% compared to 2018 due to the negative exchange rate effect, the €4.0 million increase in advertising and promotional costs incurred to support the brand, as well as a €5.1 million increase in import tariffs and supply chain costs in the United States, partially offset by higher sales prices; in a few instances, there was a lag in the offset explained by the difficulty in timing the price increases with effective date of the new tariffs.

Net of the €1.6 million in stock option costs and non-recurring expenses of €3.0 million attributable to the commercial restructuring and reorganization underway, normalized EBITDA amounted to €138.5 million or 10.6% of revenue in the nine months of 2019.

Amortization and depreciation came to €57.2 million in the nine months period including the portion of the right of use capitalized in accordance with IFRS 16 (€19.7 million in the quarter).
Based on the same accounting standards, amortization and depreciation came to €43.1 million, basically in line with the comparison period (€44.2 million in nine months of 2018).
EBIT in nine months period amounted to €96.2 million (7.4% of revenue); normalized EBIT came to €95.4 million (7.3% of revenue).

Normalized financial expenses were €5.1 million lower in the nine months period, thanks primarily to effective liquidity and currency management.

Net profit amounted to €71.8 million in the period after taxes of €14.0 million which reflect the recognition of both the patent box incentives and non-recurring deferred tax assets.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	30.09.2019	30.09.2019 normalized [1]	30.09.2018	31.12.2018
- Intangible assets	316.5	316.5	319.2	316.9
- Property, plant and equipment	314.8	239.6	233.5	237.2
- Financial assets	31.3	31.3	27.1	29.6
- Deferred tax assets	60.3	60.3	42.7	36.1
Non-current assets	**722.9**	**647.7**	**622.4**	**619.8**
- Inventories	515.7	515.7	519.4	404.8
- Trade receivables	251.6	251.6	285.0	429.3
- Trade payables	(307.0)	(307.0)	(346.5)	(419.8)
- Other payables (net of receivables)	(72.5)	(72.7)	(71.4)	(91.8)
Net working capital	**387.8**	**387.6**	**386.6**	**322.5**
Total non-current liabilities and provisions	**(108.6)**	**(108.6)**	**(105.1)**	**(104.4)**
Net capital employed	**1,002.1**	**926.7**	**904.0**	**837.8**
Net financial assets	**(101.5)**	**(177.5)**	**(54.5)**	**(228.1)**
Total net equity	**1,103.5**	**1,104.1**	**958.5**	**1,065.9**
Total net debt and equity	**1,002.1**	**926.7**	**904.0**	**837.8**

[1] The interim consolidated financial figures as at 30 September 2019 were prepared in accordance to the requirements of the new IFRS 16 *Leases*. For sake of comparison, official data pertaining to 2019 were normalized by excluding the impacts of the adoption of IFRS 16; for further information, please refer to paragraph *Content of the interim financial report and alternative performance indicators*.

The change in non-current assets is attributable for €77.0 million to the initial recognition of leased right of use assets following application of IFRS 16. In the first nine months of 2019 normalized capital expenditures, including the new product development projects capitalized among intangible assets and investments in property, plant and equipment, like the progress made on the construction of the new headquarters in Treviso, were basically in line with the same period of 2018.

Normalized net working capital amounted to €387.6 million at 30 September 2019 (€386.6 million at 30 September 2018) and went from 19.0% of rolling revenues at the end of September 2018 to 18.6%. The negative exchange effect notwithstanding, this result was achieved by containing inventory and managing receivables, along with the steps taken to manage working capital more efficiently, which were, however, offset by a decrease in the balance of trade payables due to different timing in procurement.

The net financial position came to €101.5 million at 30 September 2019, including the lease liabilities recognized in accordance with IFRS 16 of €76.0 million. The normalized net financial position amounts to positive €177.5 million (€54.5 million at 30 September 2018 and €228.1 million at 31 December 2018), €180.9 million of which relating to the net position with banks, namely excluding the fair value measurement of derivatives, the debt for business combinations and transactions involving pension funds (€59.0 million at 30 September 2018; €229.0 million at 31 December 2018).

Details of the net financial position are as follows:

(€/million)	30.09.2019	30.09.2019 normalized[1]	30.09.2018	31.12.2018
Cash and cash equivalents	464.5	464.5	400.3	569.3
Other financial receivables	54.4	54.1	49.1	54.2
Current financial debt	(141.4)	(123.3)	(132.9)	(156.1)
Net current financial position	**377.5**	**395.3**	**316.5**	**467.5**
Non-current financial debt	**(276.0)**	**(217.9)**	**(262.0)**	**(239.4)**
Total net financial position	**101.5**	**177.5**	**54.5**	**228.1**
of which:				
- positions with banks and other financial payables	*180.9*	*180.9*	*59.0*	*229.0*
- lease liabilities	*(76.0)*	-	-	-
- other financial non-bank assets/liabilities (fair value of derivatives, financial debt connected to business combinations and pension fund)	*(3.5)*	*(3.5)*	*(4.5)*	*(0.9)*

[1] The interim consolidated financial figures as at 30 September 2019 were prepared in accordance to the requirements of the new IFRS 16 *Leases*. For sake of comparison, official data pertaining to 2019 were normalized by excluding the impacts of the adoption of IFRS 16; for further information, please refer to paragraph *Content of the interim financial report and alternative performance indicators*.

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

(€/million)	30.09.2019 (9 months)	30.09.2018 (9 months)	31.12.2018 (12 months)
Cash flow by current operations	132.4	148.2	289.5
Cash flow by changes in working capital	(85.5)	(160.9)	(111.3)
Cash flow by investment activities	(44.4)	(46.3)	(66.4)
Cash flow by operating activities normalized before IFRS 16 application	**2.5**	**(59.1)**	**111.8**
Net lease liabilities IFRS 16	(76.0)	-	-
Cash flow by operating activities	**(73.5)**	**(59.1)**	**111.8**
Dividends paid	(55.3)	(149.5)	(149.5)
Cash flow by changes in *Fair value* and *Cash flow hedge* reserves	(3.1)	3.3	5.0
Cash flow by other changes in net equity	5.3	9.2	10.3
Cash flow absorbed by changes in net equity	**(53.1)**	**(137.0)**	**(134.3)**
Cash flow for the period	**(126.6)**	**(196.1)**	**(22.5)**
Opening net financial position	228.1	250.6	250.6
Closing net financial position	**101.5**	**54.5**	**228.1**

Net operating cash flow before IFRS 16 application was positive for €2.5 million in the nine months period (negative for €59.1 million in the same period of 2018), due, above all, to lower absorption of net working capital which benefitted from lower inventory and the positive trend in receivables described above.

Cash flow for the period was also impacted by a decrease in the dividends distributed.

The statement of comprehensive income and the main changes in net equity with reference to the consolidated figures as at 30 September 2019 are shown below:

(€/million)	30.09.2019	30.09.2018
Profit (loss) for the period	**71.8**	**81.4**
Other components of comprehensive income [1]	19.5	1.7
Total comprehensive income for the period	**91.4**	**83.1**

[1] The figures at 30 September 2018 include a negative component of comprehensive income equals to €0.2 million related to *Discontinued operations.*

(€/million)	Group net equity
Net equity at 1 January 2018	**1,021.7**
Distribution of dividends	(149.5)
Fair value stock option	2.9
Total comprehensive income	83.1
Net equity at 30 September 2018	**958.2**
Net equity at 1 January 2019	**1,065.9**
Distribution of dividends	(55.3)
Fair value stock option	1.6
Total comprehensive income	91.4
Net equity at 30 September 2019	**1,103.5**

Content of the interim financial report and alternative performance indicators

The income statement figures refer to the nine months period ending on 30 September 2019, with comparatives at 30 September 2018. The statement of financial position figures refer to 30 September 2019, 30 September 2018 and 31 December 2018.
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 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.

The interim 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 2018 except for IFRS 16 *Leases* applicable beginning on 1 January 2019.
De'Longhi Group has adopted the new standard beginning on 1 January 2019 using the modified retrospective approach based on which the recognized amount of the right-to-use asset should equal the lease liability, namely equal to the present value of the remaining payments discounted using the incremental borrowing rate at the date of initial application, without restating the comparative figures.

Subsequent to IFRS 16 application, new assets (reported separately in the consolidated statement of financial position) and related financial liabilities (the lease obligations) are recognized in the net financial position as nonbanking items. The value of the right-of-use is depreciated and interest recognized, while costs represented by the lease payments made are eliminated.

The main impacts of the adoption of IFRS 16 *Leases* on alternative performance indicators is analyzed as follows:

	30.09.2019 (*9 months*)			3rd quarter 2019 (*3 months*)		
	Official figures	**IFRS 16 impacts**	**Normalized figures**	**Official figures**	**IFRS 16 impacts**	**Normalized figures**
EBITDA before non – recurring /stock option costs	157.9	(14.8)	143.1	60.1	(5.2)	54.9
% revenues	*12.1%*	*(1.1%)*	*11.0%*	*13.1%*	*(1.1%)*	*12.0%*
EBIT	96.2	(0.8)	95.4	38.2	(0.3)	37.9
% revenues	*7.4%*	*(0.1%)*	*7.3%*	*8.3%*	*(0.1%)*	*8.3%*
Profit before taxes	85.9	0.6	86.5	36.0	0.1	36.2

			As at 30.09.2019
	Official figures	**IFRS 16 impacts**	**Normalized figures**
Net capital employed	1,002.1	(75.4)	926.7
Net financial assets	(101.5)	(76.0)	(177.5)
Net equity	1,103.5	0.6	1,104.1

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

More in detail, the non-GAAP measures used include:
- Net industrial margin and EBITDA: the Group uses these measures as financial targets in internal presentations (business plans) and in external presentations (to analysts and investors), since they are a useful way of measuring operating performance by the Group and its individual divisions besides EBIT.
Net industrial margin is calculated as total revenues minus the cost of materials consumed and of production-related services and payroll.
EBITDA is an intermediate measure that derives from EBIT after adding back depreciation, amortization and impairment of property, plant and equipment and intangible assets. EBITDA is also presented net of non-recurring items and stock option costs, which are reported separately on the face of the income statement.
- Net working capital: this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, tax liabilities and other payables.
- Net capital employed: this measure is the sum of net working capital, intangible assets, property, plant and equipment, equity investments, other non-current receivables, and deferred tax assets, minus deferred tax liabilities, employee severance indemnity and provisions for contingencies and other charges.
- Net debt/(net financial position): this measure represents financial liabilities less cash and cash equivalents and other financial receivables. The individual line items in the statement of financial position used to determine this measure are analysed later in this report.

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.

Subsequent events

As part of its financial strategy and in order to sustain current operations as well as the investment plan, the Group decided to take advantage of particularly favorable market conditions and to extend the time horizon of the current debt portfolio by taking out a new loan for €200 million disbursed in October 2019.

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

Outlook

The results of the third quarter, substantially in line with the expectations and the guidance issued, were satisfactory, especially in consideration of the current international scenario. However, in light of the development opportunities offered by the evolution of the markets, the De'Longhi Group considers it essential to accelerate the marketing and communication investment plan.

Treviso, November 7th 2019

Fabio de' Longhi

For the Board of Directors
Vice Chairman and Chief Executive Officer

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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 7th 2019

Stefano Biella

Officer Responsible for Preparing the Company's
Financial Reports

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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: EUR 224,250,000 (subscribed and paid-in)
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Treviso Chamber of Commerce no.: 224758
VAT no.: 03162730265