HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2020

DēLonghi Group | DēLonghi KENWOOD BRAUN Ariete

Contents

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)	2nd quarter 2020	% revenues	2nd quarter 2020 normalized	%	2nd quarter 2019	% revenues	Change normalized	Change % normalized
Revenues	503.3	100.0%	507.3	100.0%	469.1	100.0%	38.2	8.2%
Revenues at constant exchange rates	*504.8*	*100.0%*	*508.8*	*100.0%*	*468.8*	*100.0%*	*40.0*	*8.5%*
Net industrial margin	238.0	47.3%	242.0	47.7%	217.7	46.4%	24.3	11.1%
EBITDA before non – recurring /stock option costs	69.6	13.8%	73.7	14.5%	61.3	13.1%	12.4	20.2%
EBITDA	68.9	13.7%	72.9	14.4%	60.4	12.9%	12.6	20.8%
EBIT	49.3	9.8%	53.3	10.5%	41.4	8.8%	12.0	28.9%
Profit (loss) pertaining to the Group	32.1	6.4%	32.1	6.3%	31.4	6.7%	0.7	2.1%
Profit (loss) *adjusted*	**32.8**	**6.5%**	**32.8**	**6.5%**	**32.3**	**6.9%**	**0.5**	**1.5%**

(€/million)	1st half 2020	% revenues	1st half 2020 normalized	%	1st half 2019	% revenues	Change normalized	Change % normalized
Revenues	896.6	100.0%	903.7	100.0%	845.5	100.0%	58.2	6.9%
Revenues at constant exchange rates	*894.7*	*100.0%*	*901.8*	*100.0%*	*845.1*	*100.0%*	*56.7*	*6.7%*
Net industrial margin	436.3	48.7%	443.4	49.1%	399.5	47.2%	43.9	11.0%
EBITDA before non – recurring /stock option costs	111.8	12.5%	118.8	13.2%	97.8	11.6%	21.0	21.5%
EBITDA	105.5	11.8%	112.6	12.5%	95.5	11.3%	17.1	18.0%
EBIT	66.9	7.5%	74.0	8.2%	58.0	6.9%	16.0	27.5%
Profit (loss) pertaining to the Group	43.1	4.8%	43.1	4.8%	42.8	5.1%	0.3	0.6%
Profit (loss) *adjusted*	**47.9**	**5.3%**	**47.9**	**5.3%**	**44.9**	**5.3%**	**3.0**	**6.8%**

Statement of financial position

(€/million)	**30.06.2020**	**30.06.2019**	**31.12.2019**
Net working capital	228.4	344.3	318.8
Net capital employed	821.7	955.4	912.6
Net financial assets	387.9	105.5	277.8
of which:			
- *Net bank financial position*	*455.7*	*188.3*	*357.4*
- *Other financial receivables/(payables)*	*(67.7)*	*(82.9)*	*(79.6)*
Net equity	1,209.7	1,060.8	1,190.5
Net working capital/Net revenues	10.6%	16.6%	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.

INTERIM REPORT ON OPERATIONS

Introduction

The spread worldwide of the coronavirus in the first few months of 2020 caused an unprecedented global crisis with serious consequences from a health, social, economic and financial standpoint.

In order to limit contagion, most governments, albeit at different times and with different methods, imposed strict containment measures which called for limited mobility and the interruption of activities in many sectors.
These measures made it possible to slow the spread of the virus and, consequently, limit the number of casualties, but also caused a large-scale economic crisis.

During the lockdown, economic activities came to a standstill, trade collapsed as borders were closed, unemployment increased and there was a significant drop in consumer confidence, as well as deteriorating financial conditions.

In May and June, as the health crisis waned, the authorities in a few countries authorized a re-opening of businesses; in other countries, the spread of contagion is not yet under control.

Currently, given the lack of a vaccine, social distancing and testing, tracking, tracing and isolating (TTTI) policies are still the only tools available to contain the spread of the virus and prevent a second wave.

In the face of a situation undergoing constant change, from the inception of the crisis the De' Longhi Group implemented plans aiming, above all, to protect the health and safety of its employees and, at the same time, to guarantee the business continuity, also worked to understand any critical issues relating to product availability and the supply chain in the main markets that could 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.

In a second phase, the health crisis spread to Europe, initially in Italy and, then rapidly, to other countries, the United States and the rest of the world.

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' instructions, 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, then gradually resumed in accordance with both national and regional directives.

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

Similar to what happened in Italy, other countries proceeded with a gradual lockdown of economic activities, albeit using different methods. The Group implemented preventive measures in all its offices in accordance with an internal policy and the regulations of each country, above all maximizing the use of flexible, smart working solutions.
Furthermore, the social safety nets made available by each government were used where possible in Italy and the countries where De' Longhi is present.

"Phase 2" began in Italy in May and the Group prepared plans for the gradual restart of activities at the various company offices, defining new guidelines in accordance with the law. In order to guarantee social distancing, employees were asked to alternate smart working with working in the office in order to ensure that the number of people in the Group's offices never exceeds 50/60% of the total.
Similar measures were implemented in the foreign branches.

This interim management report, therefore, is presented during what are uncertain times which call for caution including when making economic forecasts.

Performance review

The health crisis caused a general collapse in trade attributable to the implementation of lockdown measures in an environment impacted by the containment measures, general difficulties along the entire production line and supply chain and, above all, the closure of retail activities in several markets for a few months.

In the first quarter De' Longhi was only affected marginally by the crisis with a slowdown in April. There was an acceleration in subsequent months which made it possible to achieve a good performance, overall; in the first half of 2020 the Group recoded very positive results, above expectations, with an uptick in revenues and margins, as well as strong cash generation.

These results are particularly significant considering the economic context in which they were achieved. The Group showed that it knew how to respond to the difficulties leverage on the strength of its brands, its products and international presence. De' Longhi's position as an international player, with revenues distributed across many markets, and the focus on home experience products made it possible to mitigate the negative impact of the crisis.
The ability of the Group to quickly adjust its commercial strategy in favor of the e-commerce channel contributed to the positive results, with sales posting double-digit growth in the period.

De' Longhi 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.

Revenues amounted to €503.3 million or €507.3 million normalized in the second quarter (+8.2% against the second quarter of 2019); this very positive performance made it possible to close the first half of 2020 with revenues of €896.6 million, or €903.7 million normalized (an increase of +6.9% in normalized terms; +6.7% in organic terms).

The increase in coffee consumption at home and the growing propensity to spend more time preparing food, connected to the adoption of health emergency containment measures in the different countries, were key to the good performance of revenues. Even though the impact of the crisis on income, and consequently on demand, is not yet clear, it does seem that consumers preferred to invest in products for the home rather than in other types of goods or services. This gave a boost to the sale of home experience products. On the other hand, the Group was able to quickly adapt its communication strategy in order to highlight the products that can facilitate or enhance life at home.

Revenue growth was posted in all the geographic areas in which the Group operates, with the exception of MEIA. That said, when looking at the markets, it's important to take into account the extent of the containment measures implemented by each government which varied from the total lockdown of businesses to a complete lack of restrictions, which clearly impacted businesses differently. In terms of product lines, growth was posted by both home experience products, not only coffee machines but the entire segment of small food preparation appliances, as well as comfort, portable air conditioners, in particular.

Normalized sales in **Europe** amounted to €612.1 million in the half, an increase of 9.3% (+9.2% in organic terms).
In order to guarantee business continuity during the lockdown period, the Group ramped-up its e-commerce platforms and extended the model to new countries, in addition to the ones already involved.

In this area, particularly in a few key markets like Germany, France and Benelux, where sales growth was solid, the sales performance of coffee machines, above all fully automatic and Nespresso machines, as well of kitchen machines, was very positive. Comfort also posted higher sales with double-digit growth in air conditioners.
Though it was hard hit by the health crisis, Spain also reported higher sales. In Scandinavia, where the governments did not implement specific restrictive measures, a positive sales trend was reported driven by coffee products and kitchen machines. Sales in Russia, Ukraine and the other CIS countries, were positive in the half, though slowed by the second quarter performance, which was largely in line with the same period of the prior year in organic terms and down slightly at current exchange rates due to the negative impact of the ruble. Sales in the United Kingdom were largely flat compared to 2019 both in the half and in the second quarter of 2020. In Poland and the Czech Republic there was a total lockdown of retail activities in April and May that weighed heavily on sales, above all in Czech Republic, which showed signs of recovery in June, particularly coffee. Similarly, the Italian market was impacted by the closure of retail businesses and, despite the recovery posted in the second quarter, closed the six months lower than in same period of 2019, even though sales for portable air conditioners and kitchen machines were good.

In **APA** normalized revenues reached €246.7 million in the first half of 2020, an increase of 10% against the first six months of 2019 (+9.5% in organic terms).
In the United States and Canada, the Group's second most important market, sales were higher in the half and basically flat in the second quarter in a context that was, however, affected by the noticeable limitations stemming from the health crisis.
In Australia and New Zealand, the trend in revenues was positive in both the half and the second quarter, thanks to the contribution of coffee machines and food preparation products (kitchen machines and handblenders, above all). 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, kitchen machines, toasters) and coffee machines, particularly traditional pump models.

MEIA closed the first half of 2020 with normalized revenues of €44.9 million, about 26% lower than in the same period 2019. The area was impacted by a few negative factors: the sharp drop in the price of oil which caused the purchasing power in the main markets to fall and a subsequent decrease in sales during the period of Ramadan. The closure of retail businesses due to the lockdown negatively impacted a region where the penetration of online sales is low.

In this context the coffee segment, which represents roughly 48% of the Group's business, recorded an 11.5% increase in normalized revenues overall in the first half of 2020 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), but also thanks to the positive results of the Nespresso platform and the drip coffee machines. Revenues for the DolceGusto line were basically unchanged with respect to the first half of 2019.

Comfort closed with normalized revenues up by almost 19% due to a significant increase in the sale of portable air conditioners in many of the main markets only partially offset by a weak heating segment due to a mild winter.

Sales for food preparation products in the half were, overall, in line with the same period of 2019 with organic growth of 6.8% in the second quarter. Kitchen machines posted an increase of more than 18% in the half (almost +28% in organic terms in the second quarter) thanks to the contribution made by all the main markets.

Sales for irons and cleaning products were down.

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 and a few factors connected to the health crisis including the containment of certain costs due to the timely action taken by the Group to protect margins and use available social safety nets.

The industrial margin amounted to €436.3 million, and went from 47.2% to 48.7% of revenues; the normalized industrial margin came to €443.4 million or 49.1% of revenues, an increase of €43.9 million with respect to the same period 2019.

Despite the crisis, the Group continued to invest in advertising and promotional activities which were about €10 million higher than in the first half of 2019.

The positive trend in operating profit and the actions on costs fueled double-digit growth in ordinary EBITDA notwithstanding the higher advertising costs.
More in detail, EBITDA before non-recurring/stock option costs amounted to €111.8 million or 12.5% of revenues (€118.8 million or 13.2% of revenues, normalized), higher both numerically and as a percentage of revenue with respect to the same period of 2019 (€97.8 million equal to 11.6% of revenues). In normalized terms, EBITDA was 21.5% higher than in the first half of 2019 despite the negative exchange effect of more than €2 million, net of which the increase would have reached +24.3%.

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 for 3.1 million), as well as amortization and depreciation of €38.6 million, EBIT came to €66.9 million in the first half of 2020 (7.5% of revenues), or €74.0 million (8.2% of revenues) normalized.

Financial expenses, €9.0 million in normalized terms, were higher with respect to the same period of 2019 (€8.2 million) as a result of larger financial discounts, lower investment income, above all for USD denominated investments as a result of a dramatic reduction in interest rates, offset by gains stemming from the valuation of a few equity investments using the equity method.

Net profit pertaining to the Group amounted to €43.1 million in the first six months of 2020, basically in line with the same period of 2019 after non-recurring operating expenses of €3.9 million, net of tax. The difference with respect to the first half of 2019 reflects above all, in comparative terms, a higher tax burden due, on the one hand, to a reduction in the patent box incentive (as the previous version lapsed at 31 December 2019 and is renewable with a possible benefit that would be much lower in subsequent years) and an unfavorable comparison with the first half of 2019 which also benefitted from a few one-off tax incentives.
Excluding the notional cost of the stock options, the non-recurring costs and the relative tax effect, the adjusted net profit comes to €47.9 million, an increase of €3.0 million against the first half of 2019.

From a financial and balance sheet standpoint, the net working capital amounted to €228.4 million at 30 June 2020 (€318.8 million at 31 December 2019; €344.3 million at 30 June 2019) with a significant improvement both in value and in percentage of rolling revenues (10.6% at the end of June 2020; 15.2% at the end of 2019; 16.6% at the end of June 2019). The good performance reflects effective, careful credit management and operational dynamics stemming from the health crisis that resulted in greater and more efficient inventory turnover in order to meet demand and fill market orders, which exceeded the payment cycles.

The net financial position came to a positive €387.9 million at 30 June 2020 (versus positive €277.8 million at 31 December 2019 and positive €105.5 million at 30 June 2019), of which €455.7 million relating to the position with banks (€357.4 million at 31 December 2019 and €188.3 million at 30 June 2019). Despite its solid financial situation, which provides an important safety net and is a strong point in this current situation of extreme uncertainty and volatility, during the half the Group decided to increase its available liquidity in order to have access to additional financial resources to support the business by taking out €200.0 million in new medium/long-term loans.
This strong, solid financial structure will allow the Group to make further investments in products, facilities and sustain the investment plan focused on increasing the Group's production capacity; in the first half of 2020 investments in property, plant and equipment and intangible assets amounted to €40.9 million, higher than the €38.3 million posted in the first half of 2019.

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

Net operating cash flow, positive for €116.9 million in the half (positive for €13.6 million in the first six months of 2019), reflects the trend in profitability referred to above and the good performance of working capital.

Significant events

As resolved during the Shareholders' Meeting held on 22 April 2020, 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 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 with regard to the Group's development strategies.
Over the years the foundation for a sustainable evolution of the Group was laid, accelerating the investments in advertising to strengthen market leadership. The shared ambition to reach sales targets remains intact and the ability to achieve these results will be made possible by further internationalization, the development of new product categories, the strengthening of the organizational structure and external growth.
The appointment of Mr. Garavaglia reflects this push for the constant expansion of the De' Longhi Group's activities and the desire to reinforce its managerial structure in order to continue along the very successful path followed in the past and face the new challenges of a rapidly changing global market, seizing each favorable opportunity.

Looking at ordinary operations, in the first half the Group had to face the crisis situation and, consequently, the numerous initiatives undertaken to improve the organization and efficiency of the processes were slowed, to then resume successfully as of May.

With regard to manufacturing, all the production facilities actively contributed to managing the health crisis. The plants in China and Italy observed, in accordance with the law, a period of closure, while the plant in Romania suffered only a partial and temporary slowdown in production as a result of the initial implementation of internal security measures and the limited lack of availability of some European components due to the lockdown in a few countries.
The restart of activities in China (already in February) and in Italy made it possible, however, to completely recover the production gap by the end of the half and laid the foundation needed to guarantee the availability of products in the second half of the year when sales typically peak.
Toward this end, during the half the Group finalized the acquisition of a new, functioning production facility in Romania; the investment reflects the strategy to reduce the time to market of the company's products, while preserving quality and control.

Given the strong limitations on mobility, during this period of crisis the supply chain activities were made possible thanks to extraordinary measures like the use of back up warehouses and alternative transit routes.

Similarly, the development of new products was impacted by limited mobility; however, important investments continued to be made across all segments and there were no delays that could preclude or delay the commercial launches slotted for this fall, relative mainly to coffee and food preparation.

Work continued on the new building being built at the Treviso headquarters for R&D and corporate divisions that will be finished by the end of the year.

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). 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.

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 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.
Between 16 March and 30 June 2020, the Group purchased 895,350 treasury shares through an authorized intermediary.
During the first half of 2020 188,500 options assigned in 2016 were exercised pursuant to the 2016-2022 Stock Option Plan at an exercise price of €20.4588 and, consequently, the same number of shares were subscribed. The share capital at 30 June 2020 now comprises 149,688,500 ordinary shares with a par value of €1.5.
In accordance with the regulations in force and consistent with the terms of the law, the statement on the change in share capital was filed with the Treviso-Belluno Register of Companies on 10 July 2020.

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	1st half 2020	% revenues	1st half 2020 normalized	% revenues	1st half 2019	% revenues
Revenues	**896.6**	**100.0%**	**903.7**	**100.0%**	**845.5**	**100.0%**
Change	*51.1*	*6.0%*	*58.2*	*6.9%*		
Materials consumed & other production costs (production services and payroll costs)	(460.4)	(51.3%)	(460.4)	(50.9%)	(446.0)	(52.8%)
Net industrial margin	**436.3**	**48.7%**	**443.4**	**49.1%**	**399.5**	**47.2%**
Services and other operating expenses	(228.8)	(25.5%)	(228.8)	(25.3%)	(210.1)	(24.8%)
Payroll (non-production)	(95.7)	(10.7%)	(95.7)	(10.6%)	(91.6)	(10.8%)
EBITDA before non-recurring/stock option costs	**111.8**	**12.5%**	**118.8**	**13.2%**	**97.8**	**11.6%**
Change	*14.0*	*14.3%*	*21.0*	*21.5%*		
Other non-recurring expenses/ stock option costs	(6.2)	(0.7%)	(6.2)	(0.7%)	(2.3)	(0.3%)
EBITDA	**105.5**	**11.8%**	**112.6**	**12.5%**	**95.5**	**11.3%**
Amortization	(38.6)	(4.3%)	(38.6)	(4.3%)	(37.5)	(4.4%)
EBIT	**66.9**	**7.5%**	**74.0**	**8.2%**	**58.0**	**6.9%**
Change	*8.9*	*15.3%*	*16.0*	*27.5%*		
Net financial income (expenses)	(1.9)	(0.2%)	(9.0)	(1.0%)	(8.2)	(1.0%)
Profit (loss) before taxes	**65.0**	**7.2%**	**65.0**	**7.2%**	**49.8**	**5.9%**
Taxes	(21.9)	(2.4%)	(21.9)	(2.4%)	(7.0)	(0.8%)
Net profit	**43.1**	**4.8%**	**43.1**	**4.8%**	**42.8**	**5.1%**

The net industrial margin reported in the reclassified income statement differs by Euro 76.1 million in the first half 2020 (Euro 82.7 million in the first half 2019) from the consolidated income statement; this is because, in order to represent period performance better, production-related payroll and service costs have been reclassified from payroll and services respectively. The nominal costs of the stock option plan, included in payroll costs, are shown separately in the above consolidated income statement.

Revenues

In the difficult backdrop of first half 2020, the Group recorded revenues of €896.6 million or €903.7 normalized, a 6.9% increase in normalized terms; +6.7% in organic terms.
More in detail, the trend in the second quarter of 2020 was particularly positive with normalized revenues reaching €507.3 million (+8.2% or +8.5% in organic terms).

The good results were possible thanks to a quick reaction to the crisis.
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.

The extent of the containment measures varied greatly from country to country, consequently the impact of the crisis varied in the different markets in which the Group operates. In Europe, for example, a few countries were only marginally impacted by the crisis as no lockdown measures were implemented, while others, including Italy, were substantially impacted due to retail closures.

In this scenario, the second quarter of 2020 was characterized by a few key factors. There was, 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, it does seem that consumers preferred to invest in products for the home rather than in other types of goods or services, including travel. This gave a boost to the sale of home experience products.

The coffee segment, which represents roughly 48% of the Group's business, recorded an 11.5% increase in normalized revenues overall in the first half of 2020. Turnover in the first six months of 2020 confirmed the success of the fully automatic and traditional pump machines which benefitted from the sale of the two most recent models (*Maestosa* and *La Specialista*, respectively). The Nespresso platform and the drip coffee machines also posted positive results. Revenues for the DolceGusto line were basically unchanged with respect to the first half of 2019.

Comfort closed with normalized revenues up by almost 19%. This very positive performance reflects the combined effect of two different trends; an increase in the sale of portable air conditioners in many of the main markets which more than offset the weakness of the heating segment due to a mild winter.

Sales for food preparation products in the half were, overall, in line with the same period of 2019 with organic growth of 6.8% in the second quarter. Kitchen machines posted an increase of more than 18% in the half (almost +28% in organic terms in the second quarter) thanks to the contribution made by all the main markets.

Sales for irons and cleaning products were down.

Markets

The following table summarizes sales performance in the Group's various business regions (Europe, APA and MEIA). To allow a better comparability, normalized revenues are shown below:

(€/million)	1st half 2020	%	1st half 2019	%	Change	Change %
EUROPE	612.1	67.7%	560.2	66.3%	51.9	9.3%
APA (Asia / Pacific / Americas)	246.7	27.3%	224.3	26.5%	22.4	10.0%
MEIA (Middle East / India / Africa)	44.9	5.0%	61.0	7.2%	(16.1)	(26.4%)
Total revenues	**903.7**	**100.0%**	**845.5**	**100.0%**	**58.2**	**6.9%**

(€/million)	2nd quarter 2020	%	2nd quarter 2019	%	Change	Change %
EUROPE	327.0	64.5%	298.0	63.5%	29.0	9.7%
APA (Asia / Pacific / Americas)	155.5	30.7%	137.3	29.3%	18.2	13.3%
MEIA (Middle East / India / Africa)	24.8	4.9%	33.8	7.2%	(9.0)	(26.5%)
Total revenues	**507.3**	**100.0%**	**469.1**	**100.0%**	**38.2**	**8.2%**

Sales in **Europe** amounted to €612.1 million in the half, an increase of 9.3% (+9.2% in organic terms).
The impact of the health crisis on the markets that are part of this area varied as a result of the different containment measures implemented by each government. The Group reacted quickly, however, and adopted measures to safeguard revenues such as, for example, ramping up its e-commerce platforms and extending the model to new countries, in addition to the ones already involved.

In Germany and France, two key markets, sales rose by around 25% in the half thanks to the good performance of coffee machines, above all fully automatic models and portable air conditioners. In Germany Kenwood brand kitchen machines also reported a positive sales trend. In Benelux sales were up by more than 22%, thanks to the good performance of the above mentioned segments. Similarly, Spain, which was hard hit by the health crisis, benefitted from the success of coffee and portable air conditioners and closed the half with higher revenues (around +9%). In Scandinavia, where the governments did not implement specific restrictive measures, a positive sales trend was reported driven by coffee products and kitchen machines. Sales in Russia, Ukraine and the other CIS countries were impacted by the crisis and reported a second quarter performance largely in line with the same period of the prior year in organic terms and down slightly at current exchange rates due to the negative impact of the ruble; organic growth in revenues was about 5.1% higher in the first six months (+3.7% at current exchange rates). Sales in the United Kingdom were largely flat compared to 2019 both in the half and in the second quarter of 2020, thanks to the good sales performance of kitchen machines and coffee machines which more than offset weakness in other segments. In Poland and the Czech Republic there was a total lockdown of retail activities in April and May which weighed heavily on sales, above all in Czech Republic, which showed signs of recovery in June, particularly coffee. Similarly, the Italian market was impacted by the closure of retail businesses and, despite the recovery posted in the second quarter, closed the six months lower than in same period of 2019 even though sales for portable air conditioners and kitchen machines were good.

In **APA** revenues reached €246.7 million in the first half of 2020, an increase of 10% against the first six months of 2019 (+9.5% in organic terms).
In the United States and Canada, the Group's second most important market for dimensions, sales were higher in the half by 5.3%, thanks also to the positive exchange effect (organic growth came to +3.0%) and basically flat in the second quarter. Portable air conditioners and coffee machines, particularly the Nespresso platform models, posted an outstanding performance.
In Australia and New Zealand, the trend in revenues was positive in both the half and the second quarter, thanks to the contribution of coffee machines and food preparation products (kitchen machines

and handblenders, above all). 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, kitchen machines, toasters) and coffee machines, particularly traditional models.

MEIA closed the first half of 2020 with normalized revenues of €44.9 million, about 26% lower than in the same period of 2019. The area was impacted by a few negative factors: the sharp drop in the price of oil which caused the purchasing power in the main markets to fall and a subsequent decrease in sales during the period of Ramadan. The closure of retail businesses due to the lockdown negatively impacted a region where the penetration of online sales is low.

Profitability

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. Some actions promptly taken out by the Group in connection to the health crisis, including the containment of certain costs and the use of the available social safety nets, succeeded in protecting the margins.

The industrial margin amounted to €436.3 million, and went from 47.2% to 48.7% of revenues; the normalized industrial margin came to €443.4 million, an increase of €43.9 million or 11.0% with respect to the same period 2019, and went from 47.2% to 49.1% of revenues.

Despite the crisis, the Group continued to make investments in advertising and promotional activities which were about €10 million higher than in the first half of 2019.

The positive trend in operating profit and the actions on costs fueled double-digit growth in ordinary EBITDA despite the higher advertising costs.
More in detail, EBITDA before non-recurring/stock option costs amounted to €111.8 million or 12.5% of revenues (€118.8 million or 13.2% of revenues, normalized), higher both numerically and as a percentage of revenue with respect to the same period of 2019 (€97.8 million or 11.6% of revenues) despite the exchange effect which had a negative impact on growth (+24.3% in organic terms) of more than €2 million.

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 €38.6 million, EBIT came to €66.9 million in the first half of 2020 (7.5% of revenues), or €74.0 million (8.2% of revenues) normalized.

Financial expenses, €9.0 million in normalized terms in the half, were higher with respect to the same period of 2019 (€8.2 million) as a result of larger financial discounts, recognized as a reduction in reported revenue as a result of the Group's new commercial policy, lower investment income, above all for USD denominated investments as a result of a dramatic reduction in interest rates, offset by higher gains relating to the valuation of a few equity investments using the equity method.

Profit pertaining to the Group amounted to €43.1 million in the first six months of 2020, basically in line with the same period of 2019 after non-recurring operating expenses of €3.9 million, net of tax. The difference with respect to the first half of 2019 reflects above all, in comparative terms, a higher tax burden due, on the one hand, to a reduction in the patent box incentive (as the previous version lapsed at 31 December 2019 and is renewable with a possible benefit that would be much lower in subsequent

years) and an unfavorable comparison with the first half of 2019 which also benefitted from a few one-off tax incentives.
Excluding the notional cost of the stock options, the non-recurring operating expenses and the relative tax effect, the adjusted net profit comes to €47.9 million, an increase of €3.0 million against the first half of 2019.

Operating segment disclosures

The De' Longhi Group has identified three operating segments which coincide with the Group's three main business Regions: Europe, MEIA (Middle East, India and Africa) and APA (Asia, Pacific, Americas). Each segment is responsible for all aspects of the Group's brands and serves different markets.

The results by operating segment can be found in the Explanatory Notes.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	30.06.2020	30.06.2019	31.12.2019
- Intangible assets	313.5	316.7	314.8
- Property, plant and equipment	314.5	316.0	315.1
- Financial assets	32.2	30.6	30.2
- Deferred tax assets	49.8	54.0	47.3
Non-current assets	**710.0**	**717.2**	**707.4**
- Inventories	431.0	477.9	343.5
- Trade receivables	243.8	251.2	437.4
- Trade payables	(366.7)	(325.5)	(365.8)
- Other payables (net of receivables)	(79.8)	(59.3)	(96.3)
Net working capital	**228.4**	**344.3**	**318.8**
Total non-current liabilities and provisions	**(116.7)**	**(106.2)**	**(113.5)**
Net capital employed	**821.7**	**955.4**	**912.6**
Net financial assets (*)	**(387.9)**	**(105.5)**	**(277.8)**
Total net equity	**1,209.7**	**1,060.8**	**1,190.5**
Total net debt and equity	**821.7**	**955.4**	**912.6**

(*) Net financial position as at 30 June 2020 includes € 1.8 million in net financial liabilities (€ 5.2 million at 30 June 2019 in net financial liabilities; € 5.5 million at 31 December 2019 in net financial liabilities) relating to the fair value of derivatives and the financial debt connected to business combinations and pension fund. It also includes financial liabilities for leasing in accordance to IFRS 16 for €69.5 million (€77.7 million at 30 June 2019; €74.0 million at 31 December 2019).

The Group, despite the crisis and the period of uncertainty, maintained a high level of investments which amounted to €40.9 million (€38.3 million in the first half of 2019) and relate primarily to the new product development projects capitalized among intangible assets and investments in property, plant and equipment, like the purchase of a new plant in Romania and continuation of the work on the new headquarters in Treviso.

Net working capital amounted to €228.4 million at 30 June 2020 (€344.3 million at 30 June 2019; €318.8 million at 31 December 2019), reaching 10.6% of rolling revenues (16.6% at the end of June 2019). The good performance reflects effective, careful credit management and operational dynamics stemming from the health crisis that resulted in greater and more efficient inventory turnover in order to meet demand and fill market orders, which exceeded the payments cycle.

Details of the net financial position are as follows:

(€/million)	30.06.2020	30.06.2019	31.12.2019
Cash and cash equivalents	877.6	473.3	731.5
Other financial receivables	108.1	53.9	102.4
Current financial debt	(160.1)	(144.5)	(138.2)
Net current financial position	**825.5**	**382.7**	**695.7**
Non-current financial receivables and assets	125.2	-	10.7
Non-current financial debt	(562.8)	(277.2)	(428.6)
Non-current net financial debt	**(437.6)**	**(277.2)**	**(417.9)**
Total net financial position	**387.9**	**105.5**	**277.8**
of which:			
- positions with banks and other financial payables	*455.7*	*188.3*	*357.4*
- lease liabilities	*(69.5)*	*(77.7)*	*(74.0)*
- other financial non-bank assets/liabilities (fair value of derivatives, financial debt connected to business combinations and pension fund)	*1.8*	*(5.2)*	*(5.5)*

The net financial position came to a positive €387.9 million at 30 June 2020 (versus positive €105.5 million at 30 June 2019 and positive €277.8 million at 31 December 2019).
The net financial position includes a few specific financial items, including primarily the fair value measurement of derivatives, the residual debt owed on business combinations and pension plan transactions, which show a positive balance of €1.8 million at 30 June 2020 (negative for €5.2 million at 30 June 2019 and €5.5 million at 31 December 2019).
It also includes lease liabilities recognized in accordance with IFRS 16 of €69.5 million (€77.7 million at 30 June 2019; €74.0 million at 31 December 2019).
Net of these items, the net position with banks reached €455.7 million at 30 June 2020 (out of which cash and other financial assets for € 1,110.9 million) with cash generation of €98.3 million recorded in the half (cash absorption reached €40.7 million in the first six months of 2019).

Despite its solid financial situation, which provides an important safety net and is a strong point in this current situation of extreme uncertainty, during the half the Group decided to increase its available liquidity with further caution, in order to have access to additional financial resources to support the business by taking out €200.0 million in new medium/long-term loans.

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

(€/million)	30.06.2020 (6 months)	30.06.2019[(*)] (6 months)	31.12.2019[(*)] (12 months)
Cash flow by current operations	108.2	88.2	277.3
Cash flow by changes in working capital	49.7	(36.2)	(22.3)
Cash flow by investment activities	(40.9)	(38.3)	(75.8)
Cash flow by operating activities normalized	**116.9**	**13.6**	**179.1**
IFRS 16 effect	-	(77.0)	(77.0)
Cash flow by operating activities	**116.9**	**(63.4)**	**102.2**
Dividends paid	-	(55.3)	(55.3)
Cash flow by changes in *Fair value* and *Cash flow hedge* reserves	2.1	(2.1)	(1.7)
Cash flow by treasury shares purchase	(14.5)	-	-
Stock options exercise	3.9	-	-
Cash flow by other changes in net equity	1.8	(1.9)	4.5
Cash flow absorbed by changes in net equity	**(6.8)**	**(59.3)**	**(52.5)**
Cash flow for the period	**110.1**	**(122.7)**	**49.7**
Opening net financial position	277.8	228.1	228.1
Closing net financial position	**387.9**	**105.5**	**277.8**

(*) As IFRS 16 *Leases* has been applied to all the reporting periods, for the sake of comparison the figures at 30.06.2019 and at 31.12.2019 were restated and, therefore, differ from the figures already published.

Operating cash flow, before IFRS 16 application, was positive for €116.9 million in the first half of 2020 (positive €13.6 million in the same period of 2019), thanks to higher profitability and positive working capital management.

Total cash flow came to a positive €110.1 million in the half (negative for €45.7 million, net of the effect of IFRS 16 application, in the first half of 2019), an improvement attributable also to the decision made during the Shareholders' Meeting held on 22 April 2020 not to pay dividends.

Human resources

The De' Longhi Group had 8,940 employees at 30 June 2020, broken down as follows:

	30.06.2020	30.06.2019
Blue collars	5,930	5,052
White collars	2,736	2,870
Managers	274	256
Total	**8,940**	**8,178**

Alternative performance indicators

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

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

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

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

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

(€/thousands)	Net equity 30.06.2020	Profit for 1st half 2020
De' Longhi S.p.A. financial statements	**530,709**	**(10,014)**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	702,941	60,469
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	14,781	(974)
Elimination of intercompany profits	(38,786)	(6,647)
Other adjustments	16	264
Consolidated financial statements	**1,209,661**	**43,098**

Related party transactions

Related party transactions fall within the normal course of business by Group companies.
Information on related party transactions is summarized in Appendix 3 to the Explanatory notes.

Other information

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

With regard to the main risks and uncertainties to which the Group is exposed, the Report on Corporate Governance and Ownership Structure and anything that is not expressly described in this report, reference should be made to the 2019 Annual Report.

Subsequent events

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

Outlook

The first half of the year was characterized by a higher than expected performance, thanks to the clear resilience highlighted by some product categories of which De' Longhi is the global leader, namely espresso coffee machines and kitchen machines.
These results were made possible also by the preference shown by consumers for the world of home experience in these months marked by an unprecedented crisis and which, with different degrees of evolution, in Europe and in the world, is expected to continue to persist in the second half of the year. Furthermore, part of the transformations that have taken place in the recent months in the distribution networks and in the consumer purchasing behaviour could remain as lasting traits of the markets of the future.
In this context, still characterized by marked uncertainty and reduced visibility, also due to a highly volatile macroeconomic scenario, in light of the results achieved in the first half of the year, the Group believes that, for the current year, it can reasonably set the goal of an organic growth in sales, with an adjusted EBITDA before non – recurring /stock option costs improving in value compared to 2019.

Treviso, 30 July 2020

For the Board of Directors
Chief Executive Officer
Massimo Garavaglia

CONSOLIDATED INCOME STATEMENT

(€/000)	Notes	1st half 2020	of which non-recurring	1st half 2019	of which non-recurring
Revenues from contracts with customers	1-8	888,860		834,787	
Other revenues	1	7,906	127	10,748	
Total consolidated revenues		***896,766***	***127***	***845,535***	
Raw and ancillary materials, consumables and goods	2	(478,160)	(387)	(434,029)	
Change in inventories of finished products and work in progress	3-8	68,133		67,704	
Change in inventories of raw and ancillary materials, consumables and goods	3	24,995		3,019	
Materials consumed		***(385,032)***	***(387)***	***(363,306)***	
Payroll costs	4-8	(136,991)	(643)	(135,528)	(604)
Services and other operating expenses	5-8-15	(261,826)	(4,656)	(243,592)	(575)
Provisions	6-8	(7,388)	279	(7,649)	(200)
Amortization	7-15	(38,649)		(37,471)	
EBIT		**66,880**	***(5,280)***	**57,989**	***(1,379)***
Net financial income (expenses)	9-15	(1,893)		(8,175)	
PROFIT (LOSS) BEFORE TAXES		**64,987**		**49,814**	
Income taxes	10	(21,889)		(6,968)	
NET PROFIT (LOSS)		**43,098**		**42,846**	
EARNINGS PER SHARE (in Euro)	27				
- basic		**€ 0.29**		**€ 0.29**	
- diluted		**€ 0.28**		**€ 0.28**	

Appendix 3 reports the effect of related party transactions on the income statement, as required by CONSOB Resolution 15519 of 27 July 2006.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)	1st half 2020	1st half 2019
Consolidated profit (loss)	**43,098**	**42,846**
Other components of comprehensive income:		
- Change in fair value of cash flow hedges and financial assets available for sale	2,098	(2,096)
- Tax effect on change in fair value of cash flow hedges and financial assets available for sale	(512)	487
- Differences from translating foreign companies' financial statements into Euro	(15,789)	8,004
Total other comprehensive income will subsequently be reclassified to profit (loss) for the year	***(14,203)***	***6,395***
- Actuarial valuation funds	39	-
- Tax effect of actuarial valuation funds	(11)	-
Total other comprehensive income will not subsequently be reclassified to profit (loss) for the year	***28***	***8***
Total components of comprehensive income	**(14,175)**	**6,403**
Total comprehensive income	**28,923**	**49,249**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (€/000)	*Notes*	30.06.2020	31.12.2019
NON-CURRENT ASSETS			
INTANGIBLE ASSETS		313,509	314,829
- Goodwill	*11*	92,400	92,400
- Other intangible assets	*12*	221,109	222,429
PROPERTY, PLANT AND EQUIPMENT		313,339	313,807
- Land, property, plant and machinery	*13*	140,973	134,247
- Other tangible assets	*14*	104,725	107,169
- Right-of-use assets	*15*	67,641	72,391
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		157,385	40,873
- Equity investments	*16*	28,414	26,724
- Receivables	*17*	3,804	3,486
- Other non-current financial assets	*18*	125,167	10,663
DEFERRED TAX ASSETS	*19*	49,832	47,253
TOTAL NON-CURRENT ASSETS		834,065	716,762
CURRENT ASSETS			
INVENTORIES	*20*	431,044	343,535
TRADE RECEIVABLES	*21*	243,829	437,360
CURRENT TAX ASSETS	*22*	11,658	8,872
OTHER RECEIVABLES	*23*	30,227	23,212
CURRENT FINANCIAL RECEIVABLES AND ASSETS	*24-15*	108,093	102,419
CASH AND CASH EQUIVALENTS	*25*	877,588	731,491
TOTAL CURRENT ASSETS		1,702,439	1,646,889
Non-current assets held for sale	*26*	1,122	1,277
TOTAL ASSETS		**2,537,626**	**2,364,928**

Appendix 3 reports the effect of related party transactions on the income statement, as required by CONSOB Resolution 15519 of 27 July 2006.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NET EQUITY AND LIABILITIES (€/000)	*Notes*	30.06.2020	31.12.2019
NET EQUITY			
GROUP PORTION OF NET EQUITY		1,209,661	1,190,454
- Share capital	*27*	224,533	224,250
- Reserves	*28*	942,030	805,199
- Profit (loss) pertaining to the Group		43,098	161,005
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES		562,774	428,562
- Bank loans and borrowings (long-term portion)	*29*	379,167	218,746
- Other financial payables (long-term portion)	*30*	132,152	153,976
- Lease liabilities (long-term portion)	*15*	51,455	55,840
DEFERRED TAX LIABILITIES	*19*	36,166	35,838
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		80,489	77,689
- Employee benefits	*31*	45,322	41,114
- Other provisions	*32*	35,167	36,575
TOTAL NON-CURRENT LIABILITIES		679,429	542,089
CURRENT LIABILITIES			
TRADE PAYABLES	*33*	366,736	365,778
FINANCIAL PAYABLES		160,138	138,200
- Bank loans and borrowings (short-term portion)	*29*	74,264	66,651
- Other financial payables (short-term portion)	*30*	67,456	53,093
- Lease liabilities (short-term portion)	*15*	18,418	18,456
CURRENT TAX LIABILITIES	*34*	35,962	35,567
OTHER PAYABLES	*35*	85,700	92,840
TOTAL CURRENT LIABILITIES		648,536	632,385
TOTAL NET EQUITY AND LIABILITIES		**2,537,626**	**2,364,928**

Appendix 3 reports the effect of related party transactions on the income statement, as required by CONSOB Resolution 15519 of 27 July 2006.

CONSOLIDATED STATEMENT OF CASH FLOW

(€/000)	Notes	1st half 2020	1st half 2019
Profit (loss) pertaining to the Group		43,098	42,846
Income taxes for the period		21,889	6,968
Amortization		38,649	37,471
Net change in provisions and other non-cash items		4,524	891
Cash flow generated by current operations (A)		**108,160**	**88,176**
Change in assets and liabilities for the period:			
Trade receivables		181,272	185,634
Inventories		(93,127)	(70,722)
Trade payables		3,461	(95,501)
Other changes in net working capital		(21,696)	(40,093)
Payment of income taxes		(20,208)	(15,564)
Cash flow generated/(absorbed) by movements in working capital (B)		**49,702**	**(36,246)**
Cash flow generated by current operations and movements in working capital (A+B)		**157,862**	**51,930**
Investment activities:			
Investments in intangible assets		(5,487)	(6,489)
Other cash flows for intangible assets		-	100
Investments in property, plant and equipment		(30,660)	(23,499)
Other cash flows for property, plant and equipment		1,180	645
Investments in leased assets		(6,708)	(9,733)
Other cash flows for leased assets		1,187	627
Net investments in financial assets and in minority interest		(428)	-
Cash flow absorbed by ordinary investment activities (C)		**(40,916)**	**(38,349)**
Cash flow by operating activities (A+B+C)		**116,946**	**13,581**
Change in currency translation reserve on cash and cash equivalents		2,139	(1,261)
Purchase of treasury shares		(14,534)	-
Exercise of stock option		3,858	-
Dividends paid		-	(55,315)
New loans		200,000	-
Payment of interests on loans		(1,612)	(1,375)
Repayment of loans and other net changes in sources of finance		(160,700)	(51,696)
Cash flow generated/(absorbed) by changes in net equity and by financing activities (D)		**29,151**	**(109,647)**
Cash flow for the period (A+B+C+D)		**146,097**	**(96,066)**
Opening cash and cash equivalents	25	**731,491**	**569,327**
Change in cash and cash equivalents (A+B+C+D)		146,097	(96,066)
Closing cash and cash equivalents	25	**877,588**	**473,261**

For sake of comparison, the Consolildated statement of cash flow for the 1st semester of 2019 was restated by reclassifying the effects of the adoption of IFRS 16.

Appendix 2 reports the statement of cash flows in terms of net financial position.

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	EXTRAORDINARY RESERVE	TREASURY SHARES RESERVES	FAIR VALUE AND CASH FLOW HEDGE RESERVES	STOCK OPTION RESERVE	CURRENCY TRANSLATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) PERTAINING TO GROUP	GROUP PORTION OF NET EQUITY
Balance at 31 December 2018	**224,250**	**162**	**33,960**	**36,201**	**-**	**735**	**7,932**	**11,596**	**566,387**	**184,702**	**1,065,925**
Allocation of 2018 result as per AGM resolution of 30 April 2019											
- distribution of dividends									(55,315)		(55,315)
- allocation to reserves			8,613	108,337					67,752	(184,702)	-
Fair value Stock Option							967				967
Movements from transactions with shareholders	**-**	**-**	**8,613**	**108,337**	**-**	**-**	**967**	**-**	**12,437**	**(184,702)**	**(54,348)**
Profit (loss) after taxes										42,846	42,846
Other components of comprehensive income						(1,609)		8,004	8		6,403
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**(1,609)**	**-**	**8,004**	**8**	**42,846**	**49,249**
Balance at 30 June 2019	**224,250**	**162**	**42,573**	**144,538**	**-**	**(874)**	**8,899**	**19,600**	**578,832**	**42,846**	**1,060,826**
Balance at 31 December 2019	**224,250**	**162**	**42,573**	**144,538**	**-**	**(485)**	**10,078**	**32,433**	**575,900**	**161,005**	**1,190,454**
Allocation of 2019 result			2,277						158,728	(161,005)	-
											-
Fair value Stock Option							960				960
Exercise of stock option	283	4,572					(997)				3,858
Treasury shares purchase					(14,534)						(14,534)
Movements from transactions with shareholders	**283**	**4,572**	**2,277**	**-**	**(14,534)**	**-**	**(37)**	**-**	**158,728**	**(161,005)**	**(9,716)**
Profit (loss) after taxes										43,098	43,098
Other components of comprehensive income						1,586		(15,789)	28		(14,175)
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**1,586**	**-**	**(15,789)**	**28**	**43,098**	**28,923**
Balance at 30 June 2020	**224,533**	**4,734**	**44,850**	**144,538**	**(14,534)**	**1,101**	**10,041**	**16,644**	**734,656**	**43,098**	**1,209,661**

EXPLANATORY NOTES

GROUP BUSINESS

The De' Longhi Group is headed up by the parent De' Longhi S.p.A., a company with its registered office in Treviso whose shares are listed on the Italian stock exchange run by Borsa Italiana.
The Group is active in the production and distribution of coffee machines, small appliances for food preparation and cooking, domestic cleaning and ironing, air conditioning and portable heaters; the companies included in the scope of consolidation are listed in Appendix 1 to the Explanatory notes.

INTRODUCTION

The spread worldwide of the outbreak in the first few months of 2020 caused an unprecedented global crisis with serious consequences from a health, social, economic and financial standpoint.
For further information, please refer to Financial Report.

ACCOUNTING STANDARDS

The half-year financial report includes the condensed consolidated financial statements, which have been prepared in accordance with IFRS (International Financial Reporting Standards) and particularly with the recommendations of IAS 34 – *Interim Financial Reporting*, which requires interim financial statements to be prepared in a condensed format with fewer disclosures than in annual financial statements.

The half-year condensed consolidated financial statements at 30 June 2020 comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows and the statement of changes in net equity, all of which have been prepared in a full format that is comparable with the annual consolidated financial statements.
The explanatory notes are presented in a condensed format and, therefore, are limited to the information needed by users to understand the financial statements for the first half of 2020.

These financial statements are presented in thousands of Euro, unless otherwise indicated.

The half-year condensed consolidated financial statements have used the same consolidation procedures and accounting policies as those described in the annual report, to which the reader should refer.
The consolidated financial figures were prepared using the same accounting policies as those used to prepare the consolidated financial statements at 31 December 2019. The Group did not apply any new standards, interpretations or amendments endorsed, but not yet applicable, in advance.

The publication of the half-year condensed consolidated financial statements for the period ended 30 June 2020 was authorized by the Board of Directors on 30 July 2020.

International accounting standards applied for the first time by the Group

The *Amendments to references to the conceptual framework* in IFRS Standards endorsed by the European Commission on 29 November 2019 in Regulation 2019/2075 took effect 1 January 2020; these amendments update the references to previous framework standards in different accounting standards and different interpretations, substituting them with the revised conceptual framework.

The Amendments to IAS 1 and IAS 8 – *Definition of material and the Amendments to IFRS 9, IAS 39 and IFRS17 – Interest Rate Benchmark Reform* also took effect.
The amendments to IAS 1 and IAS 8 aim to clarify the definition of material and how it should be applied. Based on the amendments, information is deemed material if omitting it or misstating it could reasonably influence the decisions made by the primary users of the financial statements. In the new version reference to size and nature in the definition of material has been eliminated; furthermore, the scope of the users for which the information in the financial statements is intended has been narrowed from users to primary users, namely current and potential investors, lenders and other creditors.
The amendments to IFRS 9 and IAS 39, rather, are part of the "Phase 1" of a larger project focused on providing temporary relief from the impact that the uncertainty surrounding Interest Rate Benchmark Reform could have on financial statements. More in detail, the amendments relate to aspects connected to the (i) risk components, (ii) 'Highly probable' requirement, (iii) prospective assessments, (iv) effectiveness test and (v) recycling of the cash flow hedging reserve. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The European Commission endorsed Amendments to IFRS 3 – *Business combinations* in Regulation 2020/551 of 21 April 2020. The main amendments, applicable as of 1 January 2020, clarify how to define a business and introduces an optional fair value "concentration test"; additional guidelines, along with new examples, were also provided.

The amendments described above did not have a material impact on the Group's economic and financial results.

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

One of the main changes made by the IASB, which has yet to be endorsed, includes the introduction of IFRS 17 - *Insurance contracts* which will substitute IFRS 4. The new standard establishes rules for the recognition, measurement, presentation and disclosure of insurance contracts; it will be applied to all insurance contracts using an accounting model based on the discounted cash flow method, adjusted for risk, and a Contractual Service Margin (CSM). Initially, once endorsed the European Union, the new standard was to be applied to reporting periods beginning on or after 1 January 2021. The date of initial application was, subsequently, postponed a year, to 1 January 2022.

Lastly, the first application date for the *Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between and Investor and its Associate or Joint Venture* has yet to be determined. The purpose of the amendments is to clarify how to account for the loss of control of business (governed by IFRS 10), as well as downstream transactions (governed by IAS 28) if the object of the transaction was or was not a business, as defined in IFRS 3.

Lastly, in light of the fact that with the spread of health crisis tenants received different types of concession on leases, such as temporary discounts or exemptions from payments, on 28 May 2020 IASB issued an amendment to IFRS 16 which introduces a practical expedient that simplifies the relative accounting. If the concessions are the direct consequence of the health crisis, the change in lease payments is substantially the same as, or less than, the consideration for the lease immediately

preceding the change, any reduction in lease payments affects only payments originally due on or before 30 June 2021 and there are no substantive changes to other terms and conditions of the lease, the lessee may opt to recognize the lower rents as variable components of the leases and not as lease modifications.
Once the amendment is endorsed by the European Commission, it will be applicable effective 1 June 2020, but will not have a material impact on the De' Longhi Group.

Estimates

These half-year financial statements, prepared in accordance with IFRS, contain estimates and assumptions made by the Group relating to assets and liabilities, costs, revenues, other comprehensive gains/losses and contingent liabilities at the reporting date. These estimates are based on past experience and assumptions considered to be reasonable and realistic, based on the information available at the time of making the estimate.
The assumptions relating to these estimates are periodically reviewed and the related effects reflected in the income statement in the same period: actual results could therefore differ from these estimates.
For more information about the principal assumptions used by the Group see the section "Estimates and Assumptions" found in the notes to the consolidated financial statements at 31 December 2019.

These more complex assessments are typically done only when the annual report is being drafted as all the information that might be needed are available only at that time; for example, the actuarial valuations needed to determine provisions for employee benefits are generally done at the same time as the drafting of the annual report, with the exception of when a plan is being amended or liquidated.
That said, given the current uncertainty and in compliance with national and international authorities, when this interim financial report at 30 June 2020 was being drafted different aspects connected to the health crisis and possible developments were included in the period valuations in regard, specifically, the items subject to estimates commented on below.
The current environment of uncertainty stemming from the health crisis does, however, call for precaution, also when making economic forecasts.

Intangible assets and plant, property and equipment
Based on the most recent information available, the Group verified if the intangible assets and plant property and equipment recognized in the financial statements had suffered any impairment.
Goodwill and other intangible assets with indefinite useful lives were subject to impairment tests based on a careful valuation of future cash flow projections and updating the financial ratios (discount rates); for more information refer to notes 11. *Goodwill* and 12. *Other intangible assets*.
No signs of impairment emerged as a result of these controls, therefore there was no need to write-down the carry amount recognized in the financial statements.

Recoverability of deferred tax assets
In order to verify the adequacy of the deferred tax assets relating to carryforward tax losses, the existence of adequate future taxable profit against which these losses may be offset, the probable timing and possible amount, were assessed. No particular problem areas emerged.

Allowance for doubtful accounts
The economic conditions of customers were investigated in order to verify the possible impact on the recoverability of trade receivables. Given the extensive insurance coverage and the limited past due amount, it was deemed unnecessary to revisit the valuation of the receivables or to increase provisions normally made in the financial statements.

Inventories
Inventories are presented net of provisions for raw materials and finished products considered obsolete or slow-moving, taking into account their future expected use and realizable value. The latter was valued carefully by the Group in light of the current situation. No particular need to revisit the impairment criteria emerged.

Derivatives
The Group verified that the hedges of financial instruments, both prospective and retrospective, were still effective.

Provisions for contingencies and other charges
The Group makes several provisions against disputes or risks of various kinds relating to different matters falling under the jurisdiction of different countries. These provisions were made based on updated information which takes into account the possible effects of the current health crisis.

Government assistance
The government assistance made available in a few countries in light of the health crisis was included in this interim financial report only in the event that all the criteria and conditions needed to be satisfied in order to the receive the funding had been satisfied.

Translation of balances in foreign currencies

The following exchange rates have been used:

Currency		30.06.2020		30.06.2019		Change %	
		Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate	Average exchange rate
US dollar	USD	1.11980	1.10145	1.13800	1.12975	(1.60%)	(2.50%)
British pound	GBP	0.91243	0.87432	0.89655	0.87359	1.77%	0.08%
Hong Kong dollar	HKD	8.67880	8.54843	8.88660	8.86088	(2.34%)	(3.53%)
Chinese renminbi (Yuan)	CNY	7.92190	7.74805	7.81850	7.66698	1.32%	1.06%
Australian dollar	AUD	1.63440	1.67750	1.62440	1.60018	0.62%	4.83%
Canadian dollar	CAD	1.53240	1.50308	1.48930	1.50665	2.89%	(0.24%)
Japanese yen	JPY	120.66000	119.20717	122.60000	124.29332	(1.58%)	(4.09%)
Malaysian ringgit	MYR	4.79890	4.68292	4.70820	4.65388	1.93%	0.62%
New Zealand dollar	NZD	1.74800	1.76038	1.69600	1.68152	3.07%	4.69%
Polish zloty	PLN	4.45600	4.41362	4.24960	4.29195	4.86%	2.83%
South African rand	ZAR	19.44250	18.33178	16.12180	16.04392	20.60%	14.26%
Singapore dollar	SGD	1.56480	1.54087	1.53950	1.53543	1.64%	0.35%
Russian rouble	RUB	79.63000	76.68250	71.59750	73.72150	11.22%	4.02%
Turkish lira	TRY	7.67610	7.15207	6.56550	6.35427	16.92%	12.56%
Czech koruna	CZK	26.74000	26.34217	25.44700	25.68380	5.08%	2.56%
Swiss franc	CHF	1.06510	1.06392	1.11050	1.12943	(4.09%)	(5.80%)
Brazilian real	BRL	6.11180	5.41693	4.35110	4.34067	40.47%	24.79%
Croatian kuna	HRK	7.57080	7.53395	7.39730	7.41988	2.35%	1.54%
Ukrainian hryvnia	UAH	29.89850	28.62022	29.76540	30.41478	0.45%	(5.90%)
Romanian leu	RON	4.83970	4.81735	4.73430	4.74203	2.23%	1.59%
South Korean won	KRW	1,345.83000	1,329.29500	1,315.35000	1,295.05667	2.32%	2.64%
Chilean peso	CLP	918.72000	895.63000	773.85000	763.12833	18.72%	17.36%
Swedish krona	SEK	10.49480	10.66097	10.56330	10.51873	(0.65%)	1.35%
Mexican peso	MXN	25.94700	23.85710	21.82010	21.65390	18.91%	10.17%

(*) Source: Bank of Italy

CHANGE IN THE SCOPE OF CONSOLIDATION

There were no significant changes in the scope of consolidation in the first half of 2020.

SEASONALITY OF BUSINESS

The Group's business is traditionally seasonal, with first-half revenues and profit proportionately lower than those of the year as a whole.

COMMENTS ON THE INCOME STATEMENT

1. REVENUES

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

	1st half 2020	% of revenues	1st half 2019	% of revenues	Change	Change %
EUROPE	605,252	67.5%	560,178	66.3%	45,074	8.0%
APA (Asia/Pacific/Americas)	246,731	27.5%	224,346	26.5%	22,385	10.0%
MEIA (Middle East/India/Africa)	44,783	5.0%	61,011	7.2%	(16,228)	(26.6%)
Total	**896,766**	**100.0%**	**845,535**	**100.0%**	**51,231**	**6.1%**

In the first half of 2020 this item includes €127 thousand in other non-recurring income.

More details about revenues by operating segment can be found in note *40. Operating segments*.

"Other revenues" are broken down as follows:

	1st half 2020	1st half 2019	Change
Freight reimbursement	1,115	1,857	(742)
Grants and contributions	649	676	(27)
Commercial rights	471	1,353	(882)
Damages reimbursed	255	315	(60)
Other income	5,416	6,547	(1,131)
Total	**7,906**	**10,748**	**(2,842)**

With regard to Law n. 124 of 4 August 2017, which regulates transparency in public funding, the item "Grants and contributions" includes income of €193 thousand stemming from the incentives granted by Gestore dei Servizi Energetici GSE S.p.A. for the production of energy at the Mignagola (TV) plant through photovoltaic systems connected to the grid.

2. RAW AND ANCILLARY MATERIALS, COMSUMABLES AND GOODS

The break down is as follows:

	1st half 2020	1st half 2019	Change
Parts	219,581	210,653	8,928
Finished products	212,015	175,431	36,584
Raw materials	40,071	38,960	1,111
Other purchases	6,493	8,985	(2,492)
Total	**478,160**	**434,029**	**44,131**

In the first half of 2020 this item includes €387 thousand in other non-recurring expenses.

3. CHANGE IN INVENTORIES

The difference between the overall change in inventories reported in the income statement and the change in balances reported in the statement of financial position, is mainly due to differences arising on the translation of foreign subsidiaries financial statements.

4. PAYROLL COSTS

These costs include €39,814 thousand in production-related payroll (€42,362 thousand at 30 June 2019). The figures relating to the cost of employee benefits provided by certain Group companies in Italy and abroad are reported in note *31. Employee Benefits*.

The item includes €960 thousand relating to the notional cost (fair value) of the stock option plan (€967 thousand at 30 June 2019); please refer to note *28. Reserves* for more information.
In first half 2020 payroll costs included non-recurring expenses of €643 thousand relating to the commercial reorganization of a few foreign subsidiaries and the current health crisis (€ 604 thousand in first half 2019).

The Group's workforce at 30 June 2020 can be broken down as follows:

	30.06.2020	30.06.2019
Blue collars	5,930	5,052
White collars	2,736	2,870
Managers	274	256
Total	**8,940**	**8,178**

5. SERVICES AND OTHER OPERATING EXPENSES

These are detailed as follows:

	1st half 2020	1st half 2019	Change
Advertising and promotional expenses	97,396	87,238	10,158
Transport (for purchases and sales)	42,220	37,228	4,992
Subcontracted work	18,905	22,627	(3,722)
Consulting services	10,049	10,136	(87)
Technical support	8,974	7,468	1,506
Storage and warehousing	7,891	6,983	908
Rentals, leases and others	7,033	8,711	(1,678)
Insurance	4,379	4,479	(100)
Power	4,309	4,487	(178)
Commissions	3,543	2,581	962
Travels	3,282	6,549	(3,267)
Directors and statutory auditors' emoluments	2,056	1,928	128
Maintenance	1,912	2,042	(130)
Postage, telegraph and telephones	1,734	1,836	(102)
Other utilities and cleaning fees, security, waste collection	1,515	1,548	(33)
Other sundry services	16,034	15,475	559
Total services	**231,232**	**221,316**	**9,916**
Sundry taxes	24,095	18,834	5,261
Other	6,499	3,442	3,057
Total other operating expenses	**30,594**	**22,276**	**8,318**
Total	**261,826**	**243,592**	**18,234**

In first half 2020 the item includes non-recurring expenses for €4,656 thousand (€575 thousand at 30 June 2019).

In the first half of 2020 "Rental, leases and others" includes solely the operating costs relating to contracts which are not leases or don't contain a lease under IFRS 16 (€6,201 thousand; €6,447 thousand in first half 2019), as well as costs relating to leases with a term of less than 12 months (€341 thousand; €992 thousand in first half 2019) or refer to low value assets (€136 thousand; €92 thousand in first half 2019); for additional information refer to note 15. *Leasing*.

6. PROVISIONS

This item includes provisions for contingencies and other charges net of the related releases of €7,388 thousand, €5,019 thousand of which refers to provision for product warranties and should be looked at together with "Technical support", included in costs for services, which is the portion of these costs already incurred. The items includes also €2,626 thousand referring to provisions for bad debt.

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

7. AMORTIZATION

The breakdown is as follows:

	1st half 2020	1st half 2019	Change
Amortization of intangible assets	6,414	6,588	(174)
Depreciation of property, plant and equipment	22,475	21,715	760
Depreciation of Right of Use assets	9,760	9,168	592
Total	**38,649**	**37,471**	**1,178**

More details about amortization and depreciation can be found in the tables reporting movements in intangible assets and property, plant and equipment; further detail about depreciation of Right of Use assets can be found in note 15. *Leasing*.

8. NON-RECURRING INCOME/(EXPENSES)

In first half 2020 this item includes the donation made by the Group to support the containment measures for the current health crisis (€3,100 thousand) and other costs incurred for the emergency, as well as costs related to the restructuring and reorganization underway at a few foreign subsidiaries. The net amount, totaling €5,280 thousand, is recognized for €127 thousand in other income, for €387 thousand in acquisition costs, for €643 thousand in payroll costs, for €4,656 thousand in costs for services and for €279 thousand in lower provisions.
The non-recurring items of €1,379 thousand recorded at 30 June 2019, incurred for the commercial restructuring and reorganization underway, were recognized directly in the relative lines of the income statement (€604 thousand in payroll costs, €575 thousand in costs for services and €200 thousand in provisions).

9. NET FINANCIAL INCOME (EXPENSES)

Net financial income and expenses are broken down by nature as follows:

	1st half 2020	1st half 2019	Change
Exchange differences and gains (losses) on currency hedges	**433**	**(663)**	**1,096**
Share of profit of equity investments consolidated by the equity method	**1,759**	**974**	**785**
Net interest expense	(1,731)	(585)	(1,146)
Interest for *leasing*	(813)	(941)	128
Other financial income (expenses)	(1,541)	(6,960)	5,419
Other net financial income (expenses)	**(4,085)**	**(8,486)**	**4,401**
Net financial income (expenses)	**(1,893)**	**(8,175)**	**6,282**

"Exchange differences and gains (losses) on currency hedges" includes the rate differentials on derivatives that hedge currency risk.

"Share of profit of equity investments consolidated using the equity method" includes income from the joint venture TCL/DL, dedicated to the manufacture of portable air conditioners, the interest held in the Eversys which is active in the professional espresso coffee machine sector and the income as a result of the sale of the majority interest in NPE S.r.l.

"Net interest" includes both interest payable on the Group's financial debt (recalculated using the amortized cost method), as well as the financial cost of factoring receivables without recourse, net of the interest income on the Group's investments.

For further information about leasing contracts, please refer to note 15. *Leasing*.

10. INCOME TAXES FOR THE PERIOD

These are analyzed as follows:

	1st half 2020	1st half 2019	Change
Current income taxes:			
- Income taxes	23,707	22,220	1,487
- IRAP (Italian regional business tax)	1,810	1,252	558
Deferred (advanced) taxes	(3,628)	(16,504)	12,876
Total	**21,889**	**6,968**	**14,921**

"Deferred (advance) income taxes" includes the taxes calculated on the temporary differences arising between the accounting values of assets and liabilities and the corresponding tax base (particularly for taxed provisions recognized by the parent company and its subsidiaries). They also include the benefit arising from the carryforward of unused tax losses which are likely to be used in the future.

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: ASSETS

NON-CURRENT ASSETS

11. GOODWILL

	30.06.2020		31.12.2019		
	Gross	Net	Gross	Net	Change
Goodwill	99,147	92,400	99,147	92,400	-

The value of goodwill did not change during the first half.

Goodwill is not amortized because it is considered to have an indefinite useful life. Instead, it is tested for impairment at least once a year to identify any evidence of loss in value.

The Group reported excellent results in first half 2020, showing strong improvement compared to first half 2019. Forecast's most recent economic projections for 2020 do not point to any internal factors which could indicate impairment. The Covid-19 pandemic, however, while an extraordinary event and out of the Group's control, represents a potential impairment indicator and, given its intensity and lack of predictability, requires that the impact on asset value be analyzed.
The financial market watchdogs (specifically, ESMA, IOSCO and CONSOB) issued specific bulletins focused on ensuring that companies do not reduce market disclosures because of the uncertainty caused by the crisis with specific mention of impairment tests and the assumptions used to project cash flow and in the sensitivity analyses.
Including in light of these recommendations it was deemed opportune to update the impairment testing process, normally revisited each year, at the date of this half-year report despite the fact that currently the Group's forecast data is limited (provisional figures have yet to be formally approved) and the highly uncertain economic environment (as a result of the volatility of the financial benchmarks).

For the purposes of impairment testing, goodwill is allocated to *Cash Generating Units (CGU)*, namely De'Longhi, Kenwood and Braun as follows:

Cash-generating unit	**30.06.2020**
De'Longhi	26,444
Kenwood	17,120
Braun	48,836
Total	**92,400**

The objective of the impairment test is to determine the value in use of the CGU or the present value of the future cash flows expected to be derived from continuous use of the assets to which the goodwill refers; any cash flows arising from extraordinary events are therefore ignored.
In particular, value in use is determined by applying the discounted cash flow method to forecast cash flows contained in plans prepared assuming realistic scenarios based on the information available at the reporting date, also taking into account the proposed 2020 budget submitted to the Board of Directors on 20 February 2020 and the most recently updated Forecast.

Plan figures were projected beyond the explicit plan horizon, using a perpetuity growth rate that is consistent with those expected for the markets in which the individual CGUs operate. The terminal growth rate used for projecting beyond the plan horizon was, therefore, 2% for all the CGUs.
The cash flows and discount rate were determined net of tax.

The discount rate was calculated using the weighted average cost of capital (WACC) for a group of peers. The discount rate used for all the CGUs, updated at the date of this report, was in a range of between 6.6% and 7.4% which reflects market valuations, the time value of money and sector risks.

The impairment tests updated at 30 June 2020 did not reveal any evidence of goodwill impairment.
With regard to the CGUs De' Longhi and Kenwood, which comprise the Group's core business, the recoverable amounts shown in the impairment tests and the sensitivity analysis are much higher than book value.
For the CGU Braun, the recoverable amount determined by the test was also higher than book value, even though the brand was acquired more recently.
The assumptions and the criteria in the impairment tests were approved by the Board of Directors.

The results obtained using the discounted cash flow method have been tested for their sensitivity to changes in certain key variables, within reasonable ranges and on the basis of mutually consistent assumptions. The variables altered were the discount rate (+/- 0.2%) and the growth rate in terminal value (in the range 1.8%-2.2%).
The estimated recoverable amounts for all the CGUs, however, were higher than book value and the sensitivity analyses point to relatively stable results; in fact, the minimum and maximum amounts diverged by around 10% from the central point when both variables were altered, while the divergence was considerably smaller when more reasonable assumptions regarding the change in variables were adopted.

Generally, when estimating the recoverable value of the cash-generating units management uses estimates and assumptions. Different factors linked also to how this difficult market environment evolves could require that the value in use of goodwill be redetermined. The circumstances and events which could result in the need for further impairment testing will be monitored constantly by the Group.

12. OTHER INTANGIBLE ASSETS

These are analyzed as follows:

	30.06.2020		31.12.2019	
	Gross	**Net**	**Gross**	**Net**
New product development costs	98,674	17,079	103,900	17,490
Patents	39,844	2,735	40,106	3,217
Trademarks and similar rights	281,381	177,225	281,617	178,834
Work in progress and advances	23,064	19,273	24,307	17,810
Other	22,664	4,797	22,878	5,078
Total	**465,627**	**221,109**	**472,808**	**222,429**

The following table reports movements in the main asset categories during the first half 2020:

	New product development costs	Patents	Trademarks and similar rights	Work in progress and advances	Other	Total
Net opening balance	**17,490**	**3,217**	**178,834**	**17,810**	**5,078**	**222,429**
Additions	185	112	97	4,972	121	5,487
Amortization	(3,744)	(581)	(1,700)	-	(389)	(6,414)
Translation differences and other movements (*)	3,148	(13)	(6)	(3,509)	(13)	(393)
Net closing balance	**17,079**	**2,735**	**177,225**	**19,273**	**4,797**	**221,109**

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

The largest increases refer to the capitalization of new product development projects, based on detailed reporting and analysis of the costs incurred and the estimated future utility of the projects.
The Group capitalized a total of €5,157 thousand in development costs as intangible assets during the first half of 2020; the increase of €185 thousand in "New product development costs" refers to projects already completed at 30 June 2020, and "Work in progress and advances", which amounts to €4,972 thousand, refers to projects still in progress.
The Group incurred around €24.2 million in research and development costs in the first half of 2020 (€26.7 million in the first half of 2019).

"Patents" mostly refer to internal development costs and the subsequent cost of filing for patents and to costs for developing and integrating data processing systems.

"Trademarks and similar rights" include €79.8 million for the "De'Longhi" trademark, as well as €95.0 million for the perpetual license over the "Braun Household" brand, calculated based on an indefinite useful life in accordance with IAS 38, taking into account, above all, brand awareness, economic benefits, reference market characteristics, brand specific strategies and the amount of investments made to sustain the brands.
The impairment test carried out at the end of 2019 for both brands based on an indefinite useful life, did not reveal any evidence that these assets might have suffered an impairment loss; however, as pointed out in Note 11. *Goodwill*, in light of the current uncertainty triggered by the Coronavirus health crisis it was deemed opportune to update the impairment testing process, normally revisited each year, at the date of this half-year report in order to verify the recoverability of the book values, including in light of the current economic and financial conditions.

The method used to test impairment involves discounting the royalties that the Group would be able to earn from permanently granting third parties the right to use the trademarks in question to present value.
This method, which is based on royalty cash flows and reasonably estimated sales volumes, is the most commonly used for company valuation purposes since it is able to express adequately the relationship between the strength of the brand and business profitability.
The discount rate, updated at the date of this report, was in a range of between 7.6% and 8.4%, net of tax, which reflects estimated market valuations and the time value of money. A precautionary terminal growth rate of 2% was used for all the CGUs when projecting beyond the plan horizon.
The cash flows discounted to present value are stated net of tax (consistent with the discount rate).

The impairment tests updated at 30 June 2020 did not reveal any evidence of impairment.

The results obtained using the discounted cash flow method have been tested for their sensitivity to changes in certain key variables, within reasonable ranges and on the basis of mutually consistent assumptions. The variables altered were the discount rate (+/- 0.2%) and the growth rate in terminal value (in the range 1.8%-2.2%).
The estimated recoverable amounts for all the CGUs, however, were higher than book value and the sensitivity analyses point to relatively stable results; in fact, the minimum and maximum amounts diverged by around 10% from the central point when both variables were altered, while the divergence was considerably smaller when more reasonable assumptions regarding the change in variables were adopted.

13. LAND, PROPERTY, PLANT AND MACHINERY

These are analyzed as follows:

	30.06.2020		31.12.2019	
	Gross	Net	Gross	Net
Land and buildings	128,324	90,503	118,344	82,316
Plant and machinery	154,141	50,470	151,306	51,931
Total	**282,465**	**140,973**	**269,650**	**134,247**

The following table reports movements during the first half 2020:

	Land and buildings	Plant and machinery	Total
Net opening balance	**82,316**	**51,931**	**134,247**
Additions	11,933	2,979	14,912
Disposals	-	(82)	(82)
Depreciation	(2,550)	(4,792)	(7,342)
Translation differences and other movements (*)	(1,196)	434	(762)
Net closing balance	**90,503**	**50,470**	**140,973**

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

The investments in "Land and buildings" refer mainly to the purchase of the new plant in Romania and to the development of the new headquarters in Treviso.
The investments in "Plant and machinery" refer mainly to the expansion of the production lines in Italy and Romania.

14. OTHER TANGIBLE ASSETS

Details of other tangible assets are as follows:

	30.06.2020		31.12.2019	
	Gross	Net	Gross	Net
Industrial and commercial equipment	321,483	49,797	318,088	55,564
Other	85,876	20,978	88,471	23,149
Work in progress and advances	33,951	33,950	28,456	28,456
Total	**441,310**	**104,725**	**435,015**	**107,169**

The following table reports movements during the first half 2020:

	Industrial and commercial equipment	Other	Work in progress and advances	Total
Net opening balance	**55,564**	**23,149**	**28,456**	**107,169**
Additions	5,258	2,325	8,165	15,748
Disposals	-	(513)	-	(513)
Depreciation	(11,370)	(3,763)	-	(15,133)
Translation differences and other movements (*)	345	(220)	(2,671)	(2,546)
Net closing balance	**49,797**	**20,978**	**33,950**	**104,725**

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

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

The increase in "Work in progress" refers mainly to the investments made to develop the new headquarters, the investment in the Romanian production facility, as well in new product moulds.

15. LEASING

Existing leases are functional to the Group's operations and refer mainly to the leasing of properties, automobiles and other capital goods.

Movements in the leased right of use assets in the first half of 2020 are shown below:

	Land and buildings	Industrial and commercial equipment	Other	Total
Net opening balance	**66,768**	**1,254**	**4,369**	**72,391**
Additions	5,381	286	1,041	6,708
Disposals	(956)	(137)	(94)	(1,187)
Depreciation	(8,426)	(183)	(1,151)	(9,760)
Translation differences and other movements	(464)	(14)	(33)	(511)
Net closing balance	**62,303**	**1,206**	**4,132**	**67,641**

In the first half of 2020, application of IFRS 16 - *Leases* resulted in the recognition of €9,760 thousand in depreciation and amortization (€9,168 thousand in first half 2019), interest payable of €813 thousand (€915 thousand in first half 2019) and exchange losses of €10 thousand (€11 thousand in first half 2019), while €10,318 thousand in lease payments were reversed (€9,643 thousand in first half 2019).

At 30 June 2020 financial liabilities for leases of €69,873 thousand, of which €51,455 thousand expiring beyond 12 months, and financial assets for advanced payments of €358 thousand, included in "Current financial receivables and assets", were recognized in the financial statements (please refer to note 24).

The maturities of the undiscounted lease liabilities (based on contractual payments) are shown below:

	Undiscounted flows at 30.06.2020	*Payable in one year*	*Payable in 1-5 years*	*Payable in more than five years*
Lease liabilities	73,567	20,004	39,078	14,485

Net consolidated equity adjusted by excluding the effests of the adoption of IFRS 16 would be equal to € 1,210,580 thousand.

16. EQUITY INVESTMENTS

Details of equity investments are as follows:

	30.06.2020	31.12.2019
Equity investments consolidated using the equity method	28,362	26,672
Other equity investments available-for-sale	52	52
Total	**28,414**	**26,724**

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

The change in the value of equity investments using the equity method in the first half of 2020 can be broken down as follows:

	30.06.2020
Opening net balance	**26,672**
Interest in net profit	1,759
Exchange differences	(69)
Closing net balance	**28,362**

17. NON-CURRENT RECEIVABLES

The balance at 30 June 2020 comprises €3,800 thousand in security deposits (€3,482 thousand at 31 December 2019) and other non-current receivables for €4 thousand.

18. OTHER NON-CURRENT FINANCIAL ASSETS

This item includes investments made as part of the Group's liquidity management, namely financial assets that will be held until maturity consistent with the business model objective to receive contractual cash flows (principal and interest) at specific maturities which were, therefore, accounted for using the amortized cost method. The item also includes €25,101 thousand relating to three bonds with a total nominal value of €25,000 thousand, expiring in 2021, 2026 and 2027, respectively, and €100,067 thousand relating to three securities (par value of €100,000 thousand), with a semi-annual coupon, expiring in 2022.
No signs of impairment emerged about the balances recognized in the financial statements.

19. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

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

	30.06.2020	31.12.2019	Change
Deferred tax assets	49,832	47,253	2,579
Deferred tax liabilities	(36,166)	(35,838)	(328)
Net asset balance	**13,666**	**11,415**	**2,251**

"Deferred tax assets" and "Deferred tax liabilities" include the taxes calculated on temporary differences between the carrying amount of assets and liabilities and their corresponding tax base (particularly taxed provisions recognized by the parent company and its subsidiaries), the tax effects associated with the allocation of higher values to fixed assets as a result of allocating consolidation differences. They also include the benefit arising from the carryforward of unused tax losses which are likely to be used in the future.

The net balance is analyzed as follows:

	30.06.2020	31.12.2019	Change
Temporary differences	7,112	8,507	(1,395)
Tax losses	6,554	2,908	3,646
Net asset balance	**13,666**	**11,415**	**2,251**

The change in the net asset balance also reflects a decrease of €512 thousand relating to the "Fair value and cash flow hedge reserve" recognized in net equity and an increase in "Profit (loss) carried forward" of €11 thousand relating to the actuarial gains/(losses) recognized in the comprehensive income statement pursuant to the IAS 19 – *Employee Benefits*.

CURRENT ASSETS

20. INVENTORIES

"Inventories", shown net of an allowance for obsolete and slow-moving goods, can be analyzed as follows:

	30.06.2020	31.12.2019	Change
Finished products and goods	345,733	288,603	57,130
Raw, ancillary and consumable materials	85,322	59,700	25,622
Work in progress and semi-finished products	33,238	24,162	9,076
Inventory writedown allowance	(33,249)	(28,930)	(4,319)
Total	**431,044**	**343,535**	**87,509**

The value of inventories, influenced by seasonality, is stated after deducting an allowance for obsolete or slow-moving goods totalling €33,249 thousand (€28,930 thousand at 31 December 2019) in relation to products and raw materials that are no longer of strategic interest to the Group.

21. TRADE RECEIVABLES

These are detailed as follow:

	30.06.2020	31.12.2019	Change
Trade receivables			
- due within 12 months	254,459	446,048	(191,589)
- due beyond 12 months	195	142	53
Allowance for doubtful accounts	(10,825)	(8,830)	(1,995)
Total	**243,829**	**437,360**	**(193,531)**

Trade receivables, which are influenced by seasonality, are stated net of an allowance for doubtful accounts of €10,825 thousand, representing a reasonable estimate of the expected risk at the reporting date. This allowance refers to a number of disputed receivables or those whose collection is otherwise in doubt and takes account of the fact that a significant proportion of the receivables are covered by insurance policies with major insurers.

22. CURRENT TAX ASSETS

These are analyzed as follows:

	30.06.2020	31.12.2019	Change
Direct tax receivables	3,782	5,512	(1,730)
Tax payments on account	7,010	2,182	4,828
Tax refunds requested	866	1,178	(312)
Total	**11,658**	**8,872**	**2,786**

There are no current tax assets due beyond 12 months.

23. OTHER RECEIVABLES

"Other receivables" are analyzed as follows:

	30.06.2020	31.12.2019	Change
VAT	13,023	8,464	4,559
Advances to suppliers	3,439	2,915	524
Other tax receivables	2,564	2,204	360
Prepaid insurance costs	1,611	1,765	(154)
Employees	232	358	(126)
Other	9,358	7,506	1,852
Total	**30,227**	**23,212**	**7,015**

There are no amounts due beyond 12 months.

24. CURRENT FINANCIAL RECEIVABLES AND ASSETS

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

	30.06.2020	31.12.2019	Change
Fair value of derivatives	8,896	3,563	5,333
Advances for leasing contracts	358	267	91
Fair value of other current financial assets	21,326	21,717	(391)
Other current financial assets	77,513	76,872	641
Total	**108,093**	**102,419**	**5,674**

More details on the fair value of derivatives can be found in note 30. *Other financial payables*.

“Other current financial assets” includes the amounts relating to the so called *ramo primo* of insurance policies and capital guarantee funds which pay interest, held as part of liquidity management, as well as a loan made to related parties (please see Appendix.3 for more details) valued at amortized cost.

“Fair value of other current financial assets” refers to the unit linked to the investments of the so called *ramo terzo* of the insurance policies referred to above.

25. CASH AND CASH EQUIVALENTS

This balance consists of surplus liquidity on bank current accounts and other cash equivalents, mostly relating to customer payments received at period end and temporary cash surpluses.
Some of the Group's foreign companies have a total of €449.2 million in cash on current accounts held at the same bank. These cash balances form part of the international cash pooling system and are partially offset by €421.6 million in overdrafts held at the same bank by other foreign companies. This bank therefore acts as a "clearing house" for the Group's positive and negative cash balances. Considering the substance of the transactions and technical workings of the international cash pooling system, the positive and negative cash balances have been netted against one another in the consolidated statement of financial position, as permitted by IAS 32.

The cash balances at 30 June 2020 include €79 thousand in current accounts of certain subsidiaries, that are restricted, having been given as collateral.

26. NON-CURRENT ASSETS HELD FOR SALE

The item refers to the value of a freehold property of a subsidiary that was classified under non-current assets held for sale, as required under IFRS 5 – *Non-current assets held for sale and discontinued operations*, insofar as the Group initiated a program to locate a buyer and complete the disposal.
The amount corresponds to the net carrying amount, insofar as it is not less than the fair value of the assets held for sale, net of the selling costs.

	31.12.2019	Translation differences	30.06.2020
Non-current assets held for sale	1,277	(155)	1,122

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION

NET EQUITY

The primary objective of the Group's capital management is to maintain a solid credit rating and adequate capital ratios in order to support its business and maximize value for shareholders.

Movements in the equity accounts are reported in one of the earlier schedules forming part of the financial statements; comments on the main components and their changes are provided below.

27. SHARE CAPITAL

Share capital was made up of 149,500,000 ordinary shares of par value €1.5 each, for a total of €224,250 thousand at 31 December 2019.

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 first half of 2020, 188,500 options assigned in 2016 were exercised at an exercise price of €20.4588 and, consequently, the same number of shares were subscribed.

The share capital at 30 June 2020 now comprises 149,688,500 ordinary shares with a par value of €1.5 for a total of €224,533 thousand.

Between the first and the 10th of July, further 10,384 options assigned in 2016 were exercised at an exercise price of €20.4588 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 10 July 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 €224,548 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 first half of 2020 stock options on 2,180,000 shares were assigned.

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 June 2020 the Group purchased a total of 895,350 treasury shares through an authorized intermediary.

Earnings per share are calculated by dividing the Group's earnings for the year by the weighted average number of the ordinary shares outstanding during the period, net of any treasury shares held by the Group.

The diluted earnings per share is calculated based on the number of shares outstanding, taking into account the potential dilutive impact of any options assigned to beneficiaries of the Stock Option plans.

The weighted average number of outstanding shares 30 June 2020 is shown below:

	30.06.2020
Weighted average number of shares outstanding	149,135,548
Weighted average number of diluted shares outstanding	151,667,745

The dilutive impact of the stock option plan was not significant at 30 June 2020, therefore the difference between the diluted earnings per share (€0.28) and the basic earnings per share (€0.29) is not material.

28. RESERVES

These are analyzed as follows:

	30.06.2020	**31.12.2019**	**Change**
Share premium reserve	4,734	162	4,572
Legal reserve	44,850	42,573	2,277
Other reserves:			
- Extraordinary reserve	144,538	144,538	-
- Fair value and cash flow hedge reserve	1,101	(485)	1,586
- Stock option reserve	10,041	10,078	(37)
- Reserve for treasury shares	(14,534)	-	(14,534)
- Currency translation reserve	16,644	32,433	(15,789)
- Profit (loss) carried forward	734,656	575,900	158,756
Total	**942,030**	**805,199**	**136,831**

The "Share premium reserve" was set up following the public offering at the time of the parent company's listing on the Milan stock exchange on 23 July 2001 which was subsequently reduced following the demerger transaction in favour of DeLclima S.p.A. to €162 thousand. The change recorded in the first half of 2020 reflects the exercise of options assigned pursuant to the 2016-2022 Stock Option Plan.

The "Legal Reserve" amounted to €42,573 thousand at 31 December 2019. The increase of €2,277 thousand is attributable to the allocation of profit for 2019 in accordance with Art. 2430 of the Italian Civil Code.

The extraordinary reserve was unchanged with respect to 31 December 2019.

The "Fair value and cash flow hedge reserve" shows a balance of €1,101 thousand, net of €344 thousand in tax.

The change in the "Fair value and cash flow hedge" reserve in 2020, recognized in the statement of comprehensive income for the year, is attributable to the positive fair value of the cash flow hedge and the available-for-sale securities of €2,098 thousand net of €512 thousand in tax.

The "Stock option" reserve amounted to positive €10,041 thousand which corresponds to the fair value of the options at the assignment date, recognized on a straight-line basis from the grant date through vesting.
The reserve relates to two stock-based incentive plans.
The first, the "Stock option plan 2016-2022", was approved during the Shareholders' Meeting held on 14 April 2016 and is reserved for the Chief Executive Officer of the parent company De' Longhi S.p.A. and a limited number of Group managers and key resources; please refer to the annual Report on Compensation for more detailed information about the 2016-2022 Plan.
For the purposes of valuation under IFRS 2 - *Share-based payments*, two different tranches were defined for each award which contain a number of options broken down equally into the plan's two exercise periods. The fair value per share of the options assigned in 2016 is therefore different in the two tranches and amounted to €5.3072 for the first tranche and to €5.2488 for the second. The fair value per share of the options assigned in 2017 amounted to €7.6608 for the first tranche and to €7.4442 for the second.
The fair value of the stock options is determined using the Black-Scholes model which takes into account the conditions for the exercise of the right, the current share price, expected volatility, a risk-free interest rate, as well as the non-vesting conditions.
Volatility is estimated based on the data of a market provider and corresponds to the estimated volatility of the stock over the life of the plan.

The assumptions used to determine the fair value of the options assigned are shown below.

	2017 award	2016 award
Expected dividends (Euro)	0.80	0.43
Estimated volatility (%)	28.09%	33.23%
Historic volatility (%)	31.12%	36.067%
Market interest rate	Euribor 6M	Euribor 6M
Expected life of the options (years)	2.142/3.158	2.51 / 3.53
Exercise price (Euro)	20.4588	20.4588

The stock option reserve amounted to €9,655 thousand at 30 June 2020 (€10,078 thousand at 31 December 2019); the increase in the half is attributable to the combined effect of the €574 thousand in provisions made for the notional cost of the plan and the decrease stemming from the exercise of 188,500 options for a total of €997 thousand.

During the meeting held on 22 April 2020, shareholders also approved the Board of Directors' proposal to adopt the "Stock Option Plan 2020-2027" reserved for the Chief Executive Officer of the parent company De' Longhi S.p.A. and a limited number of the Group's top managers and key resources. The purpose of the plan is to maintain the loyalty of the beneficiaries by providing incentives to remain with the Group and linking their compensation to the delivery of the company's medium/long-term targets.
The 2020-2027 Plan has a duration of around eight years and will, in any case, expire on 31 December 2027.

The Plan beneficiaries will be identified by the Board of Directors based on the proposal of the Remuneration and Appointments Committee or the Chief Executive Officer of the parent company De' Longhi S.p.A., after consulting with the Board of Statutory Auditors.
The options will be granted free of charge: the beneficiaries, therefore, will not be expected to pay any sort of consideration upon assignment. Conversely, exercise of the option and the resulting subscription of the shares will be subject to payment of the exercise price.

Each option will grant the right to subscribe one share at the conditions set out in the relative Regulations.
The exercise price shall be equal to the arithmetic average of the official market price of the Company's shares recorded on the "Mercato Telematico Azionario" managed by Borsa Italiana S.p.A. in the 180 calendar days prior to the date on which the 2020-2027 Plan and the relative regulations were approved by shareholders during the Annual General Meeting. These criteria take into account a period of time that is sufficiently long to mitigate the price volatility triggered by the crisis connected to the spread of Coronavirus.
The options may be exercised by the Beneficiaries – on one or more occasions – solely and exclusively during the exercise period, namely during the following timeframes:

1) between 15 May 2023 and 31 December 2027, for up to maximum equal to 50% of the total options assigned each beneficiary, with the exception of any blackout periods described in Article 12 of the Regulations;
2) between 15 May 2024 and 31 December 2027 for the remaining 50% of the total options assigned each beneficiary, with the exception of any blackout periods described in Article 12 of the Regulations.

Any option not exercised by the end of the exercise period will automatically lapse and the beneficiary will have no right to any compensation or indemnity.
All shares will have regular dividend rights and, therefore, will be the same as all other shares outstanding at their issue date, and will be freely transferrable by the beneficiary.
Please refer to the annual Report on Compensation for more information on the 2020-2027 Plan.

For the purposes of valuation under IFRS 2 - *Share-based payments,* two different tranches were defined which contain the same number of options broken down by the plan's two exercise periods. Each tranche will have a different fair value per share.
The fair value of the stock options is determined using the Black-Scholes model which takes into account the conditions for the exercise of the right, the current share price, expected volatility, a risk-free interest rate, as well as the non-vesting conditions.
Volatility is estimated based on the data of a market provider and corresponds to the estimated volatility of the stock over the life of the plan.

The assumptions used to determine the fair value of the options assigned at the date of this report are shown below:

	04.05.2020 award	14.05.2020 award	15.05.2020 award	20.05.2020 award
Fair value 1st tranche	4.4283	4.5910	4.4598	4.4637
Fair value 2nd tranche	4.3798	4.5360	4.4034	4.4049
Expected dividends (%)	2.80%	2.80%	2.80%	2.80%
Estimated volatility (%)	35%	34%	33%	32%
Historic volatility (%)	37%	37%	37%	37%
Market interest rate	(0.2%)	(0.2%)	(0.2%)	(0.2%)
Expected life of the options (years)	7.7	7.7	7.7	7.7
Exercise price (Euro)	16.982	16.982	16.982	16.982

Provisions for this plan amounted to €386 thousand at 30 June 2020.

The "Reserve for treasury shares" was negative for €14,534 thousand and corresponds to the amount of treasury shares purchased pursuant to the buyback program described above.

"Profit (loss) carried forward" includes the retained earnings of the consolidated companies and the effects of consolidation adjustments and adjustments to comply with Group accounting policies. The net increase posted in the year reflects the profit carried forward from the previous year of €158,728 thousand.

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) for a total of around €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 impact of which are still unclear. In the first half of 2020 there were, therefore, no changes in net equity as a result of the dividend distributions.

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

	Net equity 30.06.2020	**Profit (loss) after taxes 1st half 2020**
De' Longhi S.p.A. financial statements	**530,709**	**(10,014)**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	702,941	60,469
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	14,781	(974)
Elimination of intercompany profits	(38,786)	(6,647)
Other adjustments	16	264
Consolidated financial statements	**1,209,661**	**43,098**

NON-CURRENT LIABILITIES

29. BANK LOANS AND BORROWINGS

"Bank loans and borrowings" are analyzed as follows:

	30.06.2020	31.12.2019	Change
Overdrafts	1,772	581	1,191
Current bank loans and borrowings	2	260	(258)
Loans (short term portion)	72,490	65,810	6,680
Loans (one to five years)	379,167	218,746	160,421
Total	**453,431**	**285,397**	**168,034**

Despite its sound, solid financial situation, in the first half of 2020 the Group decided to increase its available liquidity in order to have access to additional financial resources to support the business given the situation of extreme uncertainty as to how the crisis will unfold, by taking out new medium/long-term loans.
In April 2020 a 4-year €50,000 thousand loan was taken out repayable in full upon maturity.
In May 2020 two loans were taken out: a 2-year €100,000 thousand loan repayable in two installments (the first, €25,000 thousand, in November 2021 and the second at the loan's expiration); a 4-year €50,000 thousand loan repayable in quarterly installments as of September 2020.
The loans were valued at amortized cost.

With regard to the loans taken out, none of the financial covenants included in the loan agreements, based on net debt/equity and net debt/ EBITDA had been breached at 30 June 2020.

The main loans are floating rate; the hedges on both of the main medium/long term loans made it possible to exchange floating rate debt for fixed rate debt. The fair value of the loans, calculated by discounting expected future interest flows at current market rates, does not differ significantly from the amount of debt recognized in the financial statements.

30. OTHER FINANCIAL PAYABLES

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

	30.06.2020	31.12.2019	Change
Private placement (short-term portion)	21,405	-	21,405
Negative fair value of derivatives	2,748	5,615	(2,867)
Other short term financial payables	43,303	47,478	(4,175)
Total short-term payables	**67,456**	**53,093**	**14,363**
Private placement (one to five years)	85,669	85,621	48
Negative fair value of derivatives	431	140	291
Other financial payables (one to five years)	3,182	3,907	(725)
Total long-term payables (one to five years)	**89,282**	**89,668**	**(386)**
Private placement (beyond five years)	42,870	64,308	(21,438)
Total long-term payables (beyond five years)	**42,870**	**64,308**	**(21,438)**
Total other financial payables	**199,608**	**207,069**	**(7,461)**

The bond loan refers to the issue and placement of €150 million in unsecured, non-convertible notes with US institutional investors (the "US Private Placement") completed in 2017.

The securities were issued by De' Longhi S.p.A. in a single tranche, mature in 10 years in June 2027 and have an average life of 7 years. The notes will accrue interest from the subscription date at a fixed rate of 1.65% per annum. The notes will be repaid yearly in equal instalments beginning June 2021 and ending June 2027, without prejudice to the Company's ability to repay the entire amount in advance.
The securities are unrated and are not intended to be listed on any regulated markets.
The notes are subject to half-yearly financial covenants in line with those contemplated in other existing loan transactions. At 30 June 2020 the covenants (ratio of consolidated net financial debt on consolidated net equity, ratio of consolidated net financial debt on EBITDA before non-recurring/stock option costs and ratio of EBITDA before non-recurring/stock option costs on net financial charges) had not been breached. The issue is not secured by collateral of any kind.

"Negative fair value of derivatives" refers to hedges on interest rates and currencies, foreign currency receivables and payables, as well as on future revenue streams (anticipatory hedges).
"Other short-term financial payables" refers mainly to factoring without recourse related payables, to the remaining short-term portion of the pension fund liabilities pertaining to a foreign subsidiary, the variable consideration for the purchase of non-controlling interests and the remaining consideration owed the authorized intermediary for the purchase of treasury shares.

"Other financial payables (one to five years)" refers mainly to the fair value of the put & call options on the Eversys acquisition and the remaining long-term portion of the pension fund liabilities of a foreign subsidiary.

Net financial position

Details of the net financial position are as follows:

		30.06.2020		31.12.2019
A. Cash		87		98
B. Cash equivalents		877,501		731,393
C. Securities		-		-
D. Total liquidity (A+B+C)		**877,588**		**731,491**
E. Current financial receivables and other securities		**108,093**		**102,419**
of which:				
Fair value of derivatives and advances for leasing	*9,254*		*3,830*	
F. Current bank loans and borrowings		(1,774)		(841)
G. Current portion of non-current debt		(72,490)		(65,810)
H. Other current financial payables		(85,874)		(71,549)
of which:				
Fair value measurement of derivatives, financial payables linked to business combinations and pension fund transactions and lease liabilities	*(21,900)*		*(24,162)*	
I. Current financial debt (F+G+H)		**(160,138)**		**(138,200)**
J. Net current financial receivables (payables) (D+E+I)		**825,543**		**695,710**
K1. Non-current financial receivables		125,171		10,667
of which:				
Fair value of derivatives	-		*653*	
K2. Non-current bank loans and borrowings		(379,167)		(218,746)
L. Bonds		(128,539)		(149,929)
M. Other non-current payables		(55,069)		(59,887)
of which:				
Fair value measurement of derivatives, financial payables linked to business combinations and pension fund transactions and lease liabilities	*(55,069)*		*(59,887)*	
N. Non-current financial debt (K1+K2+L+M)		**(437,604)**		**(417,895)**
Total		**387,939**		**277,815**

For a better understanding of changes in the Group's net financial position, reference should be made to the full consolidated statement of cash flows, appended to these explanatory notes, and the condensed statement presented in the interim report on operations.
Details of financial receivables and payables with related parties are reported in Appendix 3.

The fair value of the outstanding derivatives at 30 June 2020 is provided below:

	Fair Value at 30.06.2020
FX forward agreements	3,157
Derivatives hedging foreign currency receivables/payables	**3,157**
FX forward agreements	3,295
IRS on parent company loans	(735)
Derivatives hedging expected cash flows	**2,560**
Total fair value of the derivatives	**5,717**

31. EMPLOYEE BENEFITS

These are made up as follows:

	30.06.2020	31.12.2019	Change
Provision for severance indemnities	9,993	10,108	(115)
Defined benefit plans	25,584	25,004	580
Other long term benefits	9,745	6,002	3,743
Total employee benefits	**45,322**	**41,114**	**4,208**

The provision for severance indemnities includes amounts payable to employees of the Group's Italian companies and not transferred to supplementary pension schemes or the pension fund set up by INPS (Italy's national social security agency). This provision has been classified as a defined benefit plan, governed as such by IAS 19 - *Employee benefits*.

Some of the Group's foreign companies provide defined benefit plans for their employees.
Some of these plans have assets servicing them, but severance indemnities, as an unfunded obligation, do not.
These plans are valued on an actuarial basis to express the present value of the benefit payable at the end of service that employees have accrued at the reporting date.

The amounts of the obligations and assets to which they refer are set out below:

Provision for severance indemnities:

Movements in the period are summarized below:

Net cost charged to income	1st half 2020
Current service cost	82
Interest cost on obligations	39
Total	**121**

Change in present value of obligations	
Present value at 1 January	10,108
Current service cost	82
Utilization of provision	(236)
Interest cost on obligations	39
Present value at reporting date	**9,993**

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

Net cost charged to income	1st half 2020
Current service cost	612
Return on plan assets	-
Interest cost on obligations	1
Total	**613**

Change in present value of obligations	
Present value at 1 January	25,004
Net cost charged to income	613
Benefits paid	(32)
Translation difference	(1)
Present value at reporting date	**25,584**

The outstanding liability at 30 June 2020 of €25,584 thousand (€25,004 thousand at 31 December 2019) refers to a few subsidiaries (mainly in Germany and Japan).

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

32. OTHER PROVISIONS FOR NON-CURRENT CONTINGENCIES AND CHARGES

These are analyzed as follows:

	30.06.2020	31.12.2019	Change
Agents' leaving indemnity provision	1,687	1,657	30
Product warranty provision	28,221	29,255	(1,034)
Provisions for contingencies and other charges	5,259	5,663	(404)
Total	**35,167**	**36,575**	**(1,408)**

Movements are as follows:

	31.12.2019	Utilization	Net Accruals	Currency translation differences and other movements	30.06.2020
Agents' leaving indemnity provision	1,657	-	30	-	1,687
Product warranty provision	29,255	(5,659)	5,019	(394)	28,221
Provisions for contingencies and other charges	5,663	(244)	(287)	127	5,259
Total	**36,575**	**(5,903)**	**4,762**	**(267)**	**35,167**

The agents' leaving indemnity provision covers the payments that might be due to departing agents in accordance with art. 1751 of the Italian Civil Code, as applied by collective compensation agreements in force.

The product warranty provision has been established, for certain consolidated companies, on the basis of estimated under-warranty repair and replacement costs for sales taking place by 30 June 2020. It takes account of the provisions of Decree 24/2002 and of European Community law.

The "Provision for contingencies and other charges" includes the provision of €3,153 thousand (€3,260 thousand at 31 December 2019) for liabilities arising from product complaints (limited to the Group's insurance deductible), the provision of €281 thousand (€521 thousand at 31 December 2019) for restructuring and reorganization and provisions made by a few subsidiaries relating to commercial risks and other charges.

CURRENT LIABILITIES

33. TRADE PAYABLES

The balance represents the amount owed by the Group to third parties for the provision of goods and services. The item does not include amounts due beyond 12 months.

34. CURRENT TAX LIABILITIES

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

35. OTHER PAYABLES

These are detailed as follows:

	30.06.2020	31.12.2019	Change
Employees	37,773	35,662	2,111
Indirect taxes	22,037	28,121	(6,084)
Social security institutions	7,194	8,193	(999)
Withholdings payables	3,610	5,916	(2,306)
Other taxes	293	246	47
Advances	1,723	1,840	(117)
Other	13,070	12,862	208
Total	**85,700**	**92,840**	**(7,140)**

36. COMMITMENTS

These are detailed as follows:

	30.06.2020	31.12.2019
Guarantees given to third parties	1,626	1,724
Other commitments	3,168	2,873
Total	**4,794**	**4,597**

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

In addition to the above, the Group issued guarantees, mainly a surety to secure a loan, of €5,000 thousand in favor of the related party NPE S.r.l. which, in accordance with the agreement, will be substituted with guarantees that are commensurate with the commitments of each of the parties.

37. HIERARCHICAL LEVELS OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following table presents the hierarchical levels in which the fair value measurements of financial instruments have been classified at 30 June 2020, As required by IFRS 13, the hierarchy comprises the following levels:

- level 1: quoted prices in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3: inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value	Level 1	Level 2	Level 3
Derivatives with positive fair value	-	8,896	-
Derivatives with negative fair value	-	(3,179)	-
Other financial assets	52	21,326	-

There were no transfers between the levels during the period.

38. TAX POSITION

The following position emerged during the periodic audits carried out by the tax authorities:

De' Longhi Appliances S.r.l.

A target audit was carried out by the Veneto Regional Office of the Revenue Service relating to the main changes made for the purposes of IRES (Italian Corporate Income tax) and IRAP (Italian Regional Business tax), as well as intercompany transactions, for the tax year 2016. The audit was then expanded to include the tax years 2014 and 2015, but only with respect to intercompany transactions.

A preliminary notice of findings relating to tax year 2014 was issued on 28 October 2019 and on 30 December 2019 the Veneto Regional Office of the Revenue Service sent, via certified e-mail, a notice of assessment relating to IRES and IRAP.

A preliminary notice of findings relating to tax years 2015 and 2016 was also issued on 13 February 2020.

With regard to the notice of assessment for 2014, on 31 January 2020 the Company submitted a tax settlement proposal. As a result of a few meetings with the financial authorities and as a settlement has yet to be reached, the Company decided to appeal the notices of assessment.

When preparing the consolidated financial statements at 30 June 2020 the Group evaluated, with the assistance of its tax advisors, the possible outcomes of the above proceedings which were still uncertain at the end of the reporting period also given the complexity of the subject.

39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Appendix 3 contains the information concerning transactions and balances with related parties required by CONSOB Circulars 97001574 dated 20 February 1997, 98015375 dated 27 February 1998 and DEM/2064231 dated 30 September 2002; all transactions have fallen within the Group's normal operations and have been settled under arm's-length terms and conditions.

Transactions and balances between the parent company and subsidiaries are not reported since these have been eliminated upon consolidation.

40. OPERATING SEGMENTS

As required under IFRS 8, the Group's activities were broken down into three operating segments (Europe, APA, MEIA) based on business region.
Each segment is responsible for all aspects of the Group's brands and services different markets; the revenues and the margins, therefore, generated by each operating segment (based on business region) may not coincide with the revenues and margins of the relative markets (based on geographic area) given the sales made by a few Group companies outside of their respective geographical areas and the intragroup transactions not allocated based on destination.

Information relating to operating segments is presented below:

Income Statement data

	1st half 2020				
	Europe	*APA*	*MEIA*	Intersegment eliminations (**)	Total
Total revenues (*)	**699,867**	**480,849**	**36,977**	**(320,927)**	**896,766**
EBITDA	**76,014**	**27,864**	**1,254**	**397**	**105,529**
Amortization	(28,445)	(9,990)	(214)	-	(38,649)
EBIT	**47,569**	**17,874**	**1,040**	**397**	**66,880**
Net financial income (expenses)					(1,893)
Profit (loss) before taxes					**64,987**
Income taxes					(21,889)
Profit (loss) after taxes					**43,098**
Profit (loss) pertaining to minority interests					-
Profit (loss) for the period					**43,098**

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

Data from statement of financial position

	30 June 2020				
	Europe	*APA*	*MEIA*	Intersegment eliminations	Total
Total assets	1,927,558	720,894	53,681	(164,507)	**2,537,626**
Total liabilities	(1,183,976)	(298,441)	(10,219)	164,671	**(1,327,965)**

Income Statement data

	1st half 2019				
	Europe	*APA*	*MEIA*	Intersegment eliminations (**)	Total
Total revenues (*)	**651,512**	**451,168**	**49,060**	**(306,205)**	**845,535**
EBITDA	**77,008**	**13,947**	**4,518**	**(13)**	**95,460**
Amortization	(27,240)	(9,951)	(280)	-	(37,471)
EBIT	**49,768**	**3,996**	**4,238**	**(13)**	**57,989**
Net financial income (expenses)					(8,175)
Profit (loss) before taxes					**49,814**
Income taxes					(6,968)
Profit (loss) after taxes					**42,846**
Profit (loss) pertaining to minority interests					-
Profit (loss) for the period					**42,846**

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

Data from statement of financial position

	31 December 2019				
	Europe	*APA*	*MEIA*	Intersegment eliminations	Total
Total assets	1,753,182	685,053	56,032	(129,339)	**2,364,928**
Total liabilities	(1,016,736)	(275,826)	(11,256)	129,344	**(1,174,474)**

41. RISK MANAGEMENT

The Group is exposed to the following financial risks as part of its normal business activity: credit, liquidity and market risks (relating primarily to currency and interest rate).
This condensed half-year financial report does not contain all the information and explanatory notes relative to financial risk management that must be included in the annual report. For additional information in this regard refer to the notes to the consolidated financial statements at 31 December 2019.

42. SUBSEQUENT EVENTS

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

Treviso, 30 July 2020

De' Longhi S.p.A.
Chief Executive Officer
Massimo Garavaglia

APPENDICES

These appendices contain additional information to that reported in the explanatory notes, of which they form an integral part.

This information is contained in the following appendices:

1. List of consolidated companies
2. Statement of consolidated cash flows in terms of net financial position
3. Transactions and balances with related parties:
    a) *Income statement and statement of financial position*
    b) *Summary by company*

List of consolidated companies

(Appendix 1 to the Explanatory notes)

LIST OF CONSOLIDATED COMPANIES USING LINE-BY-LINE METHOD

Company name	Registered office	Currency	Share capital [1]	Interest held at 30/06/2020	
				Directly	Indirectly
DE' LONGHI APPLIANCES S.R.L.	Treviso	EUR	200,000,000	100%	
DE'LONGHI AMERICA INC.	Upper Saddle River	USD	9,100,000		100%
DE'LONGHI FRANCE	Clichy	EUR	2,737,500		100%
DE'LONGHI CANADA INC.	Mississauga	CAD	1		100%
DE'LONGHI DEUTSCHLAND GMBH	Neu-Isenburg	EUR	2,100,000	100%	
DE'LONGHI BRAUN HOUSEHOLD GMBH	Neu-Isenburg	EUR	100,000		100%
DE'LONGHI ELECTRODOMESTICOS ESPANA S.L.	Barcellona	EUR	3,066		100%
DE'LONGHI CAPITAL SERVICES S.R.L. [2]	Treviso	EUR	53,000,000	11.32%	88.68%
E- SERVICES S.R.L.	Treviso	EUR	50,000	100%	
DE'LONGHI KENWOOD A.P.A. LTD	Hong Kong	HKD	73,010,000		100%
TRICOM INDUSTRIAL COMPANY LIMITED	Hong Kong	HKD	171,500,000		100%
PROMISED SUCCESS LIMITED	Hong Kong	HKD	28,000,000		100%
ON SHIU (ZHONGSHAN) ELECTRICAL APPLIANCE CO.LTD.	Zhongshan City	CNY	USD 21,200,000		100%
DE'LONGHI-KENWOOD APPLIANCES (DONG GUAN) CO.LTD.	Qing Xi Town	CNY	HKD 285,000,000		100%
DE LONGHI BENELUX S.A.	Luxembourg	EUR	181,730,990	100%	
DE'LONGHI JAPAN CORPORATION	Tokyo	JPY	450,000,000		100%
DE'LONGHI AUSTRALIA PTY LTD.	Prestons	AUD	28,800,001		100%
DE'LONGHI NEW ZEALAND LTD.	Auckland	NZD	16,007,143		100%
ZASS ALABUGA LLC	Elabuga	RUB	95,242,767		100%
DELONGHI LLC	Mosca	RUB	3,944,820,000		100%
KENWOOD APPLIANCES LTD.	Havant	GBP	30,586,001		100%
KENWOOD LIMITED	Havant	GBP	26,550,000		100%
KENWOOD INTERNATIONAL LTD.	Havant	GBP	20,000,000		100%
KENWOOD APPL. (SINGAPORE) PTE LTD.	Singapore	SGD	500,000		100%
KENWOOD APPL. (MALAYSIA) SDN.BHD.	Subang Jaya	MYR	1,000,000		100%
DE'LONGHI-KENWOOD GMBH	Wr Neudorf	EUR	36,336	100%	
DELONGHI SOUTH AFRICA PTY.LTD.	Constantia Kloof	ZAR	100,332,501		100%
DE'LONGHI KENWOOD HELLAS SINGLE MEMBER S.A.	Atene	EUR	452,520		100%
DE'LONGHI PORTUGAL UNIPESSOAL LDA	Matosinhos	EUR	5,000		100%
ARIETE DEUTSCHLAND GMBH	Dusseldorf	EUR	25,000		100%
CLIM.RE. S.A.	Luxembourg	EUR	1,239,468	4%	96%
ELLE S.R.L.	Treviso	EUR	10,000		100%
DE'LONGHI BOSPHORUS EV ALETLERI TICARET ANONIM SIRKETI	Istanbul	TRY	3,500,000		100%
DE'LONGHI PRAGA S.R.O.	Praga	CZK	200,000		100%
KENWOOD SWISS AG	Baar	CHF	1,000,000		100%
DL HRVATSKA D.O.O.	Zagabria	HRK	20,000		100%
DE'LONGHI BRASIL - COMÉRCIO E IMPORTAÇÃO Ltda	São Paulo	BRL	43,857,581		100%
DE'LONGHI POLSKA SP. Z.O.O.	Varsavia	PLN	50,000	0.1%	99.9%
DE'LONGHI APPLIANCES TECHNOLOGY SERVICES (Shenzen) Co. Ltd	Shenzen	CNY	USD 175,000		100%
DE'LONGHI UKRAINE LLC	Kiev	UAH	549,843		100%
DE'LONGHI TRADING (SHANGHAI) CO. LTD	Shanghai	CNY	USD 11,745,000		100%
DE'LONGHI KENWOOD MEIA F.ZE	Dubai	USD	AED 2,000,000		100%
DE'LONGHI ROMANIA S.R.L.	Cluj-Napoca	RON	140,000,000	10%	90%
DE'LONGHI KOREA LTD	Seoul	KRW	900,000,000		100%
DL CHILE S.A.	Santiago del Cile	CLP	3,079,065,844		100%
DE'LONGHI SCANDINAVIA AB	Stockholm	SEK	5,000,000		100%
DELONGHI MEXICO SA DE CV	Bosques de las Lomas	MXN	53,076,000		100%
TWIST LLC	Mosca	RUB	10,000		100%
DE'LONGHI APPLIANCES (SHANGHAI) CO. LTD	Shanghai	CNY	USD 200,000		100%

INVESTMENTS VALUED IN ACCORDANCE WITH THE EQUITY METHOD

Company name	Registered office	Currency	Share capital (1)	Interest held at 30/06/2020	
				Directly	Indirectly
DL-TCL HOLDINGS (HK) LTD.	Hong Kong	HKD	USD 5,000,000		50%
TCL-DE'LONGHI HOME APPLIANCES (ZHONGSHAN) CO.LTD.	Zhongshan City	CNY	USD 5,000,000		50%
EVERSYS HOLDING S.A.	Ardon	CHF	4,100,000		40%
EVERSYS S.A.	Ardon	CHF	2,500,000		40%
EVERSYS INC	Toronto	CAD	100		40%
DELISYS AG	Münsingen	CHF	100,000		40%
EVERSYS UK LIMITED	Wallington	GBP	70,000		20.4%
EVERSYS IRELAND LIMITED	Dublin	EUR	100		20.4%
NPE S.R.L.	Treviso	EUR	1,000,000		45%

(1) Figures at 30 June 2020, unless otherwise specified.
(2) The articles of association, approved by the extraordinary shareholders' meeting held on 29 December 2004, give special rights to De' Longhi S.p.A. (holding 89% of the voting rights) for ordinary resolutions (approval of financial statements, declaration of dividends, nomination of directors and statutory auditors, purchase and sale of companies, grant of loans to third parties); voting rights are proportional as far as other resolutions are concerned, except for the preferential right to receive dividends held by the shareholder Kenwood Appliances Ltd.

Statement of consolidated cash flows in terms of net financial position

(Appendix 2 to the Explanatory notes)

(€/000)	1st half 2020	1st half 2019
Profit (loss) pertaining to the Group	43,098	42,846
Income taxes for the period	21,889	6,968
Amortization	38,649	37,471
Net change in provisions and other non-cash items	4,524	891
Cash flow generated by current operations (A)	**108,160**	**88,176**
Change in assets and liabilities for the period:		
Trade receivables	181,272	185,634
Inventories	(93,127)	(70,722)
Trade payables	3,461	(95,501)
Other changes in net working capital	(21,696)	(40,093)
Payment of income taxes	(20,208)	(15,564)
Cash flow generated/(absorbed) by movements in working capital (B)	**49,702**	**(36,246)**
Cash flow generated by current operations and movements in working capital (A+B)	**157,862**	**51,930**
Investment activities:		
Investments in intangible assets	(5,487)	(6,489)
Other cash flows for intangible assets	-	100
Investments in property, plant and equipment	(30,660)	(23,499)
Other cash flows for property, plant and equipment	1,180	645
Investments in leased assets	(6,708)	(9,733)
Other cash flows for leased assets	1,187	627
Net investments in financial assets and in minority interest	(428)	-
Cash flow absorbed by ordinary investment activities (C)	**(40,916)**	**(38,349)**
Cash flow by operating activities (A+B+C)	**116,946**	**13,581**
Cash flow absorbed by leasing accounted under IFRS16 (D)	**-**	**(76,952)**
Fair value and cash flow reserves	2,098	(2,096)
Change in currency translation reserve	1,757	(1,883)
Purchase of treasury shares	(14,534)	-
Exercise of stock option	3,858	-
Dividends paid	-	(55,315)
Cash flow absorbed by changes in net equity (E)	**(6,821)**	**(59,294)**
Cash flow for the period (A+B+C+D+E)	**110,125**	**(122,665)**
Opening net financial position	**277,815**	**228,121**
Cash flow for the period (A+B+C+D+E)	110,125	(122,665)
Consolidated closing net financial position	**387,940**	**105,456**

For sake of comparison, the Consolildated statement of cash flow for the 1st semester of 2019 was restated by reclassifying the effects of the adoption of IFRS 16.

Transactions and balances with related parties

(Appendix 3 to the Explanatory notes)

(€/000)	1st half 2020	of which with related parties	1st half 2019	of which with related parties
Revenues from contracts with customers	888,860	*1,127*	834,787	*633*
Other revenues	7,906	*1,323*	10,748	*1,030*
Total consolidated revenues	***896,766***		***845,535***	
Raw and ancillary materials, consumables and goods	(478,160)	*(22,920)*	(434,029)	*(18,176)*
Change in inventories of finished products and work in progress	68,133		67,704	
Change in inventories of raw and ancillary materials, consumables and goods	24,995		3,019	
Materials consumed	***(385,032)***		***(363,306)***	
Payroll costs	(136,991)		(135,528)	
Services and other operating expenses	(261,826)	*(492)*	(243,592)	*(402)*
Provisions	(7,388)		(7,649)	
Amortization	(38,649)		(37,471)	
EBIT	**66,880**		**57,989**	
Net financial income (expenses)	(1,893)	*(97)*	(8,175)	*(156)*
PROFIT (LOSS) BEFORE TAXES	**64,987**		**49,814**	
Income taxes	(21,889)		(6,968)	
NET PROFIT (LOSS)	**43,098**		**42,846**	

ASSETS (€/000)	30.06.2020	of which with related parties	31.12.2019	of which with related parties
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	313,509		314,829	
- Goodwill	92,400		92,400	
- Other intangible assets	221,109		222,429	
PROPERTY, PLANT AND EQUIPMENT	313,339		313,807	
- Land, property, plant and machinery	140,973		134,247	
- Other tangible assets	104,725		107,169	
- Right-of-use assets	67,641		72,391	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	157,385		40,873	
- Equity investments	28,414		26,724	
- Receivables	3,804		3,486	
- Other non-current financial assets	125,167		10,663	
DEFERRED TAX ASSETS	49,832		47,253	
TOTAL NON-CURRENT ASSETS	834,065		716,762	
CURRENT ASSETS				
INVENTORIES	431,044		343,535	
TRADE RECEIVABLES	243,829	*2,416*	437,360	*2,785*
CURRENT TAX ASSETS	11,658		8,872	
OTHER RECEIVABLES	30,227	*162*	23,212	*228*
CURRENT FINANCIAL RECEIVABLES AND ASSETS	108,093	*8,716*	102,419	*8,123*
CASH AND CASH EQUIVALENTS	877,588		731,491	
TOTAL CURRENT ASSETS	1,702,439		1,646,889	
Non-current assets held for sale	1,122		1,277	
TOTAL ASSETS	**2,537,626**		**2,364,928**	

NET EQUITY AND LIABILITIES (€/000)	30.06.2020	of which with related parties	31.12.2019	of which with related parties
NET EQUITY				
GROUP PORTION OF NET EQUITY	1,209,661		1,190,454	
- Share capital	224,533		224,250	
- Reserves	942,030		805,199	
- Profit (loss) pertaining to the Group	43,098		161,005	
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES	562,774		428,562	
- Bank loans and borrowings (long-term portion)	379,167		218,746	
- Other financial payables (long-term portion)	132,152		153,976	
- Lease liabilities (long-term portion)	51,455	*25,721*	55,840	*27,493*
DEFERRED TAX LIABILITIES	36,166		35,838	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	80,489		77,689	
- Employee benefits	45,322		41,114	
- Other provisions	35,167		36,575	
TOTAL NON-CURRENT LIABILITIES	679,429		542,089	
CURRENT LIABILITIES				
TRADE PAYABLES	366,736	*4,395*	365,778	*7,500*
FINANCIAL PAYABLES	160,138		138,200	
- Bank loans and borrowings (short-term portion)	74,264		66,651	
- Other financial payables (short-term portion)	67,456		53,093	
- Lease liabilities (short-term portion)	18,418	*3,532*	18,456	*3,509*
CURRENT TAX LIABILITIES	35,962	*16,071*	35,567	*17,119*
OTHER PAYABLES	85,700		92,840	
TOTAL CURRENT LIABILITIES	648,536		632,385	
TOTAL NET EQUITY AND LIABILITIES	**2,537,626**		**2,364,928**	

Transactions and balances with related parties - Summary by company

In compliance with the guidelines and methods for identifying significant transactions, especially those with related parties covered by the De' Longhi S.p.A. rules on corporate governance, we shall now present the following information concerning related party transactions during 1st half 2020 and related balances with mainly commercial nature at 30 June 2020:

(€/million)	Revenues and other income	Costs for raw materials and other costs	Financial income and (expenses)	Trade and other receivables	Financial receivables	Trade and other payables	Financial liabilities for leasing
Related companies:							
DL Radiators S.r.l.	1.2	-	-	1.1	-	0.5	-
DL-TCL Holdings (HK) Ltd.	-	-	-	-	0.4	-	-
TCL-De'Longhi Home Appliances (Zhongshan) Co,Ltd,	-	14.4	-	-	-	0.2	-
NPE S.r.l.	0.4	8.6	-	0.6	-	4.1	-
Gamma S.r.l.	0.2	0.3	(0.2)	0.7	-	-	29.3
Eversys Holding S.A.	-	-	0.1	-	8.3	-	-
Eversys S.A.	0.3	0.1	-	0.1	-	0.1	-
De Longhi Industrial S.A.	-	-	-	-	-	15.6	-
Other companies	0.3	-	-	0.1	-	-	-
TOTAL RELATED PARTIES	**2.4**	**23.4**	**(0.1)**	**2.6**	**8.7**	**20.5**	**29.3**

The amount owed DL Radiators S.p.A. refers mainly to taxes payable in prior years when the companies were part of De' Longhi S.p.A.'s tax group.

Subsequent to IFRS 16 application, financial liabilities to Gamma S.r.l. and new assets for the right of use are recognized, in relation to the rental contracts of two Italian sites. Financial charges corresponding to the interest expense for the period are also recognized.

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

The Parent Company De' Longhi S.p.A. and a few Italian subsidiaries adhered to the national tax consolidation regime (Presidential Decree. n. 917/1986 – "TUIR"- articles 117 through 129, and Decree of 9.6.2004), as part of a tax group formed by De Longhi Industrial S.A.; the agreement entered into covers the three-year period 2019-2021 and may be renewed. The €15.6 million included in tax payables is comprised of the taxes payable by the members of the tax group through De Longhi Industrial S.A..

Please refer to the yearly "Annual Remuneration Report " for information relating to the compensation of directors and statutory auditors.

Certification of the half-year condensed consolidated financial statements pursuant to art, 81-*ter* of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions

The undersigned Massimo Garavaglia, Chief Executive Officer, and Stefano Biella, as Officer Responsible for Preparing the Company's Financial Reports of De' Longhi S.p.A., attest, also taking account of the provisions of paragraphs 3 and 4, art. 154-*bis*, of Decree 58 dated 24 February 1998:

that the accounting and administrative processes for preparing the half-year condensed consolidated financial statements during the first half of 2020:
- have been adequate in relation to the company's characteristics and
- have been effectively applied.

They also certify that the half-year condensed consolidated financial statements at 30 June 2020:

- have been prepared in accordance with the applicable International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
- correspond to the underlying accounting records and books of account;
- are able to provide a true and fair view of the issuer's statement of financial position and results of operations and of the Group of companies included in the consolidation.

Lastly, they certify that the interim report on operations contains references to important events that took place in the first six months of the year and their impact on the half-year condensed consolidated financial statements, together with a description of the principal risks and uncertainties in the remaining six months of the year, as well as information on significant related party transactions.

Treviso, 30 July 2020

Massimo Garavaglia
Chief Executive Officer

Stefano Biella
Officer Responsible for Preparing the Company's Financial Reports

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
De'Longhi SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of De'Longhi SpA and its subsidiaries (the De'Longhi Group) as of 30 June 2020, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flow, the consolidated statement of changes in net equity and related explanatory notes. The directors of De'Longhi SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of Review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of De'Longhi Group as of 30 June

2020 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, 3 August 2020

PricewaterhouseCoopers SpA

Signed by

Filippo Zagagnin
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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 224,548,326 (subscribed and paid-in)
Tax ID and Company Register no: 11570840154
Treviso Chamber of Commerce no. 224758
VAT no 03162730265