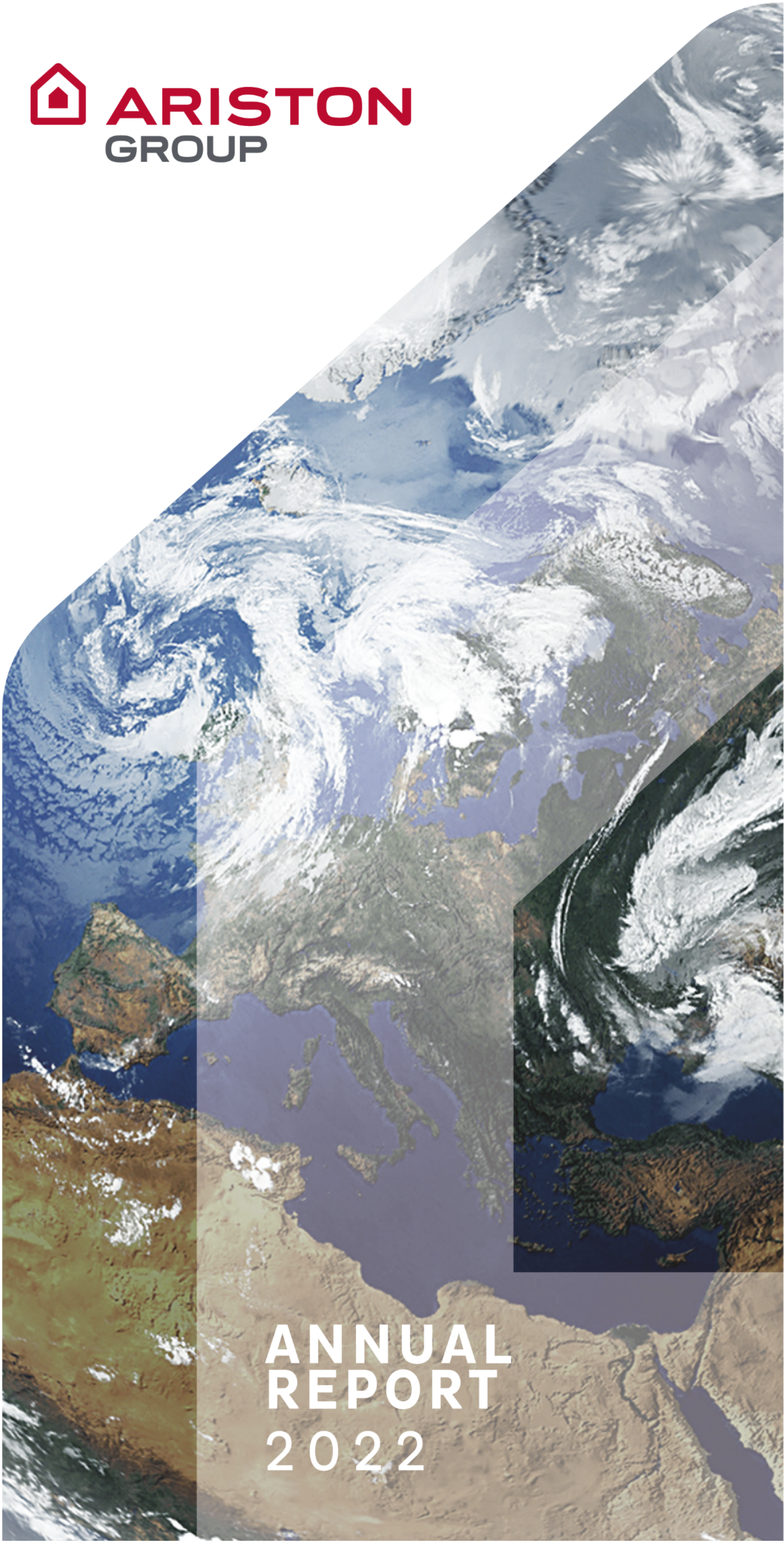
ARISTON GROUP



ANNUAL REPORT 2022

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Disclaimer

This document is only a 'pdf printed version' and is not the original annual financial report included in the 'ESEF compliant single report package' with the audited financial statements pursuant to article 361 of Book 2 of the Dutch Civil Code.
The latter, which includes the audited financial statements and the auditor's report thereto is included in the 'ESEF compliant single report package' which can be found on the Company's website www.aristongroup.com/it/financial-communication under 'Annual Report at 31 December 2022', 'ESEF compliant single report package'. In case of any discrepancies between this 'pdf printed version' and the 'ESEF compliant single report package', the single report package prevails.

This document was not made available to the public with a signed version, which is retained at the Group corporate office.

The Board report "*bestuursverslag*" consists of sections 2, 3, 4 and 5.

1. About this report

Note on presentation

The annual report at 31 December 2022 was prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), as adopted by the European Union and with Section 2:362 (8) of the Dutch Civil Code ('DCC'), pursuant to Part 9 of Book 2. The IFRS designation also includes the International Accounting Standards ('IAS') as well as all the interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'), formerly the Standard Interpretations Committee ('SIC').

Adaptation plan pursuant to Articles 15 and 18 of the Market Regulations

In accordance with Article 15 of Consob Regulation 20249 of 28 December 2017 and subsequent amendments concerning 'conditions for listing shares of companies that control companies established and governed by laws of non-EU countries', the Parent Company Ariston Holding N.V. (the 'Company' or 'Parent Company' or 'Ariston' and together with its subsidiaries 'Ariston Group' or the 'Group') has identified its significant subsidiaries as defined in Article 15(2) of the above-mentioned Regulation, and verified that the conditions set out in paragraphs a), b) and c) of Article 15 have been met.

Information on the figures presented

All the figures in this annual report are expressed in millions of euro to one decimal place, whereas the original data is recorded and consolidated by the Group in euro. Similarly, all percentages relating to changes between two periods or to percentages of net revenue or other indicators are always calculated using the original data in euro. The use of amounts expressed in millions of euro may therefore result in apparent discrepancies in both absolute amounts and data expressed as a percentage.
The language of this annual report is English. Certain legislative references and technical terms have been cited in their original language in order to give them their correct technical meaning under applicable law.

European Single Electronic Format requirements

Pursuant to article 4 of the Transparency Directive, starting from 2021 reporting period, the financial statements schema, in the annual financial report is prepared in XHTML format, in compliance with the European Single Electronic Format (ESEF) as a company listed on a European Union regulated markets. In addition, issuers preparing IFRS consolidated financial statements shall mark those up using Inline XBRL. Ariston Group manages ESEF by leveraging on a dedicated outsourced IT software that allows the compliance with the new regulation.

2. Key Highlights

(mln €)	2022		2021		Total change	
Net revenue	2,378.8	100.0%	1,987.3	100.0%	391.5	19.7%
EBITDA adjusted	305.3	12.8%	276.8	13.9%	28.5	10.3%
EBITDA	283.5	11.9%	246.9	12.4%	36.6	14.8%
EBIT adjusted	222.6	9.4%	203.4	10.2%	19.1	9.4%
EBIT	193.7	8.1%	171.2	8.6%	22.6	13.2%
PBT	179.8	7.6%	165.4	8.3%	14.5	8.7%
Net profit adjusted	162.9	6.8%	151.8	7.6%	11.1	7.3%
Net profit	140.3	5.9%	136.3	6.9%	4.0	2.9%

Profitability ratios	2022	2021
Net capital employed (mln €)	913.3	693.3
ROE (Net profit / Net equity)	13.9%	15.5%
ROI adjusted (EBIT adjusted / Net capital employed)	24.4%	29.3%
ROI (EBIT / Net capital employed)	21.2%	24.7%
ROS adjusted (EBIT adjusted / Net revenue)	9.4%	10.2%
ROS (EBIT / Net revenue)	8.1%	8.6%
Earnings per shares – Basic (€)	0.43	0.47
Earnings per shares – Diluted (€)	0.42	0.46
Headcount	7,975	7,858
Free cash flow	63.4	88.3
Net financial indebtedness adjusted (*)	-98.9	-184.8
Net equity	1,012.2	878.1

** Negative figures represent net cash.*

3. Corporate bodies

Board of Directors

Paolo Merloni	Executive Chairman
Laurent Alexis Michel Henri Jacquemin	CEO
Antonia Di Bella	
Roberto Guidetti	
Guido Krass	
Francesco Merloni	
Maria Francesca Merloni	
Lorenzo Pozza	
Ignazio Rocco di Torrepadula	
Marinella Soldi	
Enrico Vita	

External auditor

Ernst&Young Accountants LLP

Projecting bridges to our future

Paolo Merloni, Executive Chairman

Dear Shareholders,

Looking back at 2022, which came to an end, I want to take the opportunity to retrace the moments that shaped such an intense year of events and achievements.

Our solutions for thermal comfort – the way our customers welcome us to their homes – continued to be one of the main drivers of Ariston Group's success. As per our vision, we remained committed to champion sustainable comfort and heavily invested in technology innovation, to further enrich our renewable and high efficiency portfolio. Over the years we have been working hard to steadily increase our production capacity for heat pumps and in 2022 we renewed our electric heat pumps platform across all our core European markets, releasing improved efficiency and low noise performance products that leverage on low Global Warming Potential refrigerants. Furthermore, while electrification is confirmed as the main pillar of the European buildings decarbonisation strategy and remains at the core of our efforts, we have been supporting the energy transition also through the development of hydrogen, high-efficiency and hybrid solutions; and we have invested in digitalization and IoT, upgrading our products with advanced connectivity features, to reduce consumptions while further enhancing users' experience.

The decision to join forces with CENTROTEC Climate Systems – the biggest acquisition announced in Ariston Group's history, that marks a fundamental milestone in this year pathway – is extremely consistent with our pledge to thrive in this area: in particular, Wolf brought to the group its role as a pioneer of natural refrigerants, high efficiency and ultra-low noise heat pumps, while Brink domestic ventilation, crucial for the nearly Zero Emission Buildings, and the air-handling solutions allow the group to expand its portfolio into critical climate comfort technologies. Ariston Group international footprint – another key element of our investment statement – has also benefited from this deal, with our European presence further consolidating and Germany becoming the first market from 2023 onwards.

Another year of sound financial performances represents an indisputable indicator that our vision "Sustainable Comfort for Everyone" is robust. In 2022 Ariston Group reported revenues for 2.4 billion euros (+ 19.7%) driven by the increasingly rising demand of renewable solutions: during a year disrupted by a series of events that spanned from the regretful outbreak of the Ukrainian conflict to energy and raw material scarcity and heavy inflationary trends, we were able to further grow our turnover – once again, an all-time high! And considering pro-forma the acquisition closed on 2 January 2023, Ariston Group starts the new year as a 3.1-billion-euros net revenue group.

Over our 93 years long history we have reached ambitious targets. As major challenges loom on the horizon, we prepare to turn them into opportunities, continuing to raise the bar of our aspirations and performance.

As we acknowledge the past achievements, we are already setting for ourselves new and bolder objectives, to project bridges to our future. Ariston Group's sustainable growth remains our absolute priority and we will deploy all resources needed to generate value for our stakeholders in the long-term. Particularly, we will focus on continuing to sustain our financial performance leveraging on our solutions and our services, we will further invest on the consolidation of our global scale, and we will work to increasingly mitigate and enhance our environmental and social impact – a purpose that dates back to Ariston Group founder's industrial culture and that we will never let go. 2023, indeed, will be critical to our ESG strategy: the plan we launched back in 2017 ended last year and – as Ariston Group approaches its 100th anniversary – we release our strategic plan to 2030 "Road to 100", renewing our commitment along the daring set of environmental, social and governance targets that will shape the agenda of our future development.

I will never get tired to saying that these remarkable results – extremely consistent with our growth ambitions – wouldn't be possible without the contribution of our global community of people, whose extraordinary competencies, dedication and passion are the ultimate essence of Ariston Group's success, nor without the solid organizational structure that we have adopted and that sustains our business focus.

To all our people, the Ariston Group people, as well as to all our customers and partners, my heartfelt thanks.

4. Directors' Report for the year ending 31 December 2022

4.1 Reference Background and Investor information

Macroeconomic scenario

In October 2022 the International Monetary Fund (IMF) projected global GDP growth at 3.2% in 2022 and 2.7% in 2023, after reaching 6.0% in 2021.

Compared to the previous year, 2022 was heavily affected by three geopolitical events: the outbreak of the Ukrainian conflict, a cost-of-living crisis caused by persistent and broadening inflationary pressures, and China's slowdown.

More than a third of the global economy is expected to contract in 2022 or 2023, while the three largest economies—the United States, the European Union, and China—will continue to stall. Based on the above, for many countries, the IMF estimates a recession in 2023.

In this context, it should be noted that Italy is forecast to move from 6.7% in 2021 to 3.2% in 2022 and -0.2% in 2023, France from 6.8% to 2.5% and 0.7% respectively and Spain from 5.1% to 4.3% and 1.2% respectively.

In its October estimates, which are the latest available, the IMF shows this declining trend also for Germany, shifting from 2.6% in 2021 to 1.5% in 2022 and -0.3% in 2023, and the United States which is expected to shift from 5.7% to 1.6% and 1.0% respectively.

Vietnam, India, Indonesia and China are the only four economies that will record a positive (or only slightly negative) trend in 2023 compared to 2022.

Growth projections (GDP), annual percentage changes

	Actual	Projections	
	2021	2022	2023
World Output	6.0%	3.2%	2.7%
Belgium	6.2%	2.4%	0.4%
China	8.1%	3.2%	4.4%
France	6.8%	2.5%	0.7%
Germany	2.6%	1.5%	-0.3%
India	8.7%	6.8%	6.1%
Indonesia	3.7%	5.3%	5.0%
Italy	6.7%	3.2%	-0.2%
Mexico	4.8%	2.1%	1.2%
Poland	5.9%	3.8%	0.5%
Romania	5.9%	4.8%	3.1%
Russia	4.7%	-3.4%	-2.3%
Saudi Arabia	3.2%	7.6%	3.7%
South Africa	4.9%	2.1%	1.1%
Spain	5.1%	4.3%	1.2%
Switzerland	4.2%	2.2%	0.8%
Turkey	11.4%	5.0%	3.0%
United Arab Emirates	3.8%	5.1%	4.2%
United Kingdom	7.4%	3.6%	0.3%
United States	5.7%	1.6%	1.0%
Vietnam	2.6%	7.0%	6.2%

Source: IMF, World Economic Outlook, October 2022

Exchange rates

With a few exceptions, during the last quarter of 2022 the euro depreciated against almost all the main currencies relevant to Ariston Group.
In comparison with the average exchange rates for the last quarter of 2021, the most significant appreciation was against the Turkish lira (+47.9%), while the greatest depreciation was against the Russian Ruble (-22.6%), Mexican Peso (-15.3%) and US Dollar (-10.8%).
Considering the average for 2022 compared to 2021, the depreciation trend was more evident, with only two currencies not showing negative changes.

Euro exchange rates against major currencies

	2022			2021			Δ		
	Avg. Q4	Avg. YTD	31.12.2022	Avg. Q4	Avg. YTD	31.12.2021	vs. Avg. Q4	vs. Avg. YTD	vs. 31.12
CHF	0.98	1.00	0.98	1.05	1.08	1.03	-6.7%	-7.1%	-4.7%
CNY	7.26	7.08	7.36	7.31	7.63	7.19	-0.7%	-7.2%	2.3%
GBP	0.87	0.85	0.89	0.85	0.86	0.84	2.6%	-0.8%	5.6%
RON	4.92	4.93	4.95	4.95	4.92	4.95	-0.6%	0.2%	0.0%
RUB	64.38	73.64	77.90	83.14	87.15	85.30	-22.6%	-15.5%	-8.7%
USD	1.02	1.05	1.07	1.14	1.18	1.13	-10.8%	-11.0%	-5.8%
CAD	1.39	1.37	1.44	1.44	1.48	1.44	-3.9%	-7.6%	0.3%
VND	24,810	24,630	25,183	26,056	27,130	25,819	-4.8%	-9.2%	-2.5%
INR	83.86	82.69	88.17	85.69	87.44	84.23	-2.1%	-5.4%	4.7%
TRY	19.00	17.41	19.96	12.85	10.51	15.23	47.9%	65.6%	31.1%
MXN	20.08	21.19	20.86	23.72	23.99	23.14	-15.3%	-11.7%	-9.9%

Source: ECB

Raw materials

After strong inflationary trends occurred in 2021, the most important raw materials for Ariston Group recorded a price decrease over the whole of 2022, especially in the last quarter (both end-of-period spot and average prices) when compared with the same data from the previous year.
More specifically, in the fourth quarter of 2022, steel, polypropylene and copper recorded an average decrease of 33%, 25% and 17% respectively, compared to the average price for the fourth quarter of the previous year.
Even considering such decreases in the "Ferrous and not ferrous" cluster, the product cost structure suffered an overall increase in term of costs as it was hit by the rises in the cost of electric and electronic components.

Average monthly market prices of main raw materials (per ton)

	2022			2021			Δ		
	31.12.2022	Avg. Q4	Avg. YTD	31.12.2021	Avg. Q4	Avg. YTD	vs. Last Day	vs. Avg. Q4	vs. Avg. YTD
Steel [€/ton]	669	657	898	903	975	976	-26%	-33%	-8%
Polypropylene [€/ton]	1,620	1,440	1,455	1,983	1,929	1,866	-18%	-25%	-22%
Copper [USD/ton]	8,387	8,009	8,807	9,692	9,701	9,316	-13%	-17%	-5%
Polyurethane [€/ton]	2,391	2,406	2,600	2,759	2,780	2,711	-13%	-13%	-4%
Aluminium [USD/ton]	2,360	2,324	2,703	2,806	2,741	2,474	-16%	-15%	9%

Note: For steel, it was considered the price of hot rolled steel for the European market; for copper and aluminium was considered the average daily "cash" prices, and for polyurethane the mix of isocyanate and polyol based on the Group's policies.
Source: Metal Bulletin, ICIS LOR, LME

4.2 Significant business events of the year

January

Ariston Group completed the acquisition of Chromagen – a company headquartered in Israel with two subsidiaries in Australia (in a form of a Joint Venture with a local business partner) and Spain, as well as a solid network of distributors across about 35 countries worldwide – through a transaction that, on an equity basis, valued it at around 130 million NIS, paid in cash. Ariston Group acquired 100% of the shares and voting rights of the entity active in Israel, consolidating its presence on the market, plus the shares owned by Kibbutz Shaar Haamakim in Australia, thus entering an important hot water market.

Ariston Group attended the 2022 AHR Expo in Las Vegas (USA) with a dedicated booth showcasing its heating and hot water products.

February

Ariston Group participated in Expo 2020 Dubai, hosting a two-day convention in the Italian Pavilion during the week dedicated to the excellence of the Marche Region, to highlight the Group's milestones and showcase the latest Ariston high-quality products, including renewable solutions and electric storage water heaters.

The Russia-Ukraine war started and the Group implemented all possible actions in order to protect its employees.

March

Ariston launched Nimbus NET R32, the new air-to-water heat pump range designed to improve efficiency through the use of low GWP R32 refrigerant gas, while enabling top performance through connectivity features and leveraging innovative Energy Manager Technology.

Ariston Net app was renewed and released an updated feature, a new version of the Monthly Energy Report, that via artificial intelligence allows for daily, monthly, and yearly consumption monitoring while providing insights and advice on consumption behaviour to encourage energy saving.

Ariston Group released its 2021 Sustainability Report, measuring the Group's achievements against 2022 targets and starting to disclose its 2030 ESG engagements and commitments, shaped around the material topics that external and internal stakeholders helped identify.

April

Ariston introduced the latest update to its Ariston NET pro platform, now featuring in its Active Care portfolio – a dedicated service that, through artificial intelligence, enables the service centres to predict a fault and intervene before it occurs, minimising consequences while ensuring continuous comfort.

May

Ariston Group executed the final call option in regards of HTP Comfort Solution LLC, the US based Company active in high-efficiency heating and water heating whose 51% was acquired in 2017, now named Ariston Thermo USA LLC. As a result, the Group owns the 100% of its shares.

June

Ariston Group's brand ELCO was honoured with the internationally renowned iF Design Award and Red Dot Design Award, assigned to the AEROTOP SG Electrical Heating Heat Pump and the THALION S Thermally Driven Heat Pump respectively.

Ariston Group's components brand Thermowatt participated in the 42nd edition of Mostra Convegno Expo-comfort 2022 in Milan, introducing TMEC Wi-Fi, the latest SMART Wi-Fi solution designed to maximise comfort and energy efficiency.

As part of its 2030 Agenda, Ariston Group started the Decarbonisation Project, aimed at reducing the Group's carbon emissions by 2030 and involving different steps: defining the carbon footprint baseline and the Group's ambitions, identifying the levers of decarbonisation and establishing the action plan. The strategy has been strengthened by engaging with the supply chain, in order to realise concrete and positive impacts, and with internal stakeholders, through educational sessions to spread awareness.

July

Ariston announced the release of ONE+ NET Series, its first range of condensing boilers certified to work with a 20% hydrogen blend – a first important step in the Group's ongoing commitment to hydrogen for heating. At the same time Ariston started tests on boilers running on 100% hydrogen.

Ariston launched One Team, the new digital reserved area that caters to Ariston Professional Partners, offering informative content and tools to attract, engage, support and retain Installers, Planners and Service Centres.

August

Ariston's Aures range was launched on the Vietnamese market, bringing instant thermal comfort to the next level by favouring reliability and efficiency, while prioritizing safety and standing out for its unique design features.

September

Ariston Group announced the acquisition of 100% of the share capital of CENTROTEC Climate Systems – the biggest deal in the Group's history, increasing its ESG focus, enriching its medium- and high-end offer of sustainable heating systems and further consolidating its positioning in Europe.

Ariston Group brought global expertise on water heating solutions to South Africa by introducing its iconic global brand Ariston, to replace local brand Heat Tech that had been part of the Group's stable for the past eight years.

Flash floods hit Italy's central Marche Region, including two key Group manufacturing plants located in Genga and Cerreto D'Esi, both dedicated to electric water heater production. The facilities, goods and equipment were severely damaged. Production was interrupted for several weeks, and progressively resumed with reduced capacity at a later stage between the end of 2022 and the beginning of 2023.

October

Ariston Group participated in the World Hydrogen Congress, in Rotterdam, to present its views on green hydrogen, considered as an important ally in the process of accelerating the building sector's decarbonisation through a wider mix of energy sources and technologies.

November

Ariston Group global brand Elco launched the new AEROTOP SX heat pump – an air-to-water heat pump which stands out for its high-efficiency performance, extremely low noise emissions as well as its high-quality design features.

December

As part of its multi-energy approach, which focuses on electrification while, in parallel, leveraging multiple technologies to accelerate the decarbonisation of the building sector, Ariston Group presented the innovative Thermally Driven Heat Pump – a technology exploiting a specific thermodynamic cycle that uses heat to trigger thermal compression and which is particularly suitable for residential retrofit.

4.3 Subsequent events

On 2 January 2023, Ariston Group completed the acquisition of 100% of the share capital of CENTROTEC Climate Systems GmbH from CENTROTEC SE, following the fulfilment of all condition precedents. The price paid at closing was € 635.05 million in cash (following a preliminary cash, debt and working capital adjustment as of 31 December 2022), plus 41,416,667 Ariston Holding N.V. shares. The acquired Group's renowned brands Wolf, Brink, Pro-Klima and Ned Air contributed to further reinforcing the mid- to high-end offer of Ariston Group, leveraging new-generation heat pumps with natural refrigerants and expanding into residential ventilation. The acquisition also contributed to further consolidating Ariston Group's positioning in Europe, with Germany becoming the leading market.

Ariston Group participated in the annual convention promoted by Milan Polytechnic's Osservatorio Internet of Things, joining the conversation on Smart Homes and analysing the impact that the connectivity of thermal comfort solution features has on energy saving and emissions reduction.

For the second year running, Ariston Group participated in 2023 AHR Expo taking place in Atlanta (US) with a booth showcasing the new heat pump water heater for the North American market, together with its wider offer of heating and water heating solutions.

Ariston Group released Road to 100, its ESG plan to 2030, the year of its 100th anniversary – a strategic document that reconfirmed the Group's commitment to sustainability and set its new environmental, social and governance targets in the medium and long-term, shaping its future sustainable growth roadmap.

Ariston Group released its 2022 Sustainability Report, tracking the Group' ESG journey by reporting updated annual ESG performance.

4.4 Brand|Product performance

Market and business performance

In 2022 we witnessed a slowdown in market volumes after the growth in 2021, which was supported by the recovery after the pandemic in 2020. In 2022 the progressive shift toward renewable technologies continued, especially in Europe. The heating market decreased in global volumes, mainly due to Asia. On the other hand, European and North American markets grew. The energy transition, and the incentives available on many European markets, accelerated the transition to renewables and hybrid technologies – solutions with a higher unitary value.
Hot water markets are estimated to have decreased globally compared to 2021. Despite the general trend, in water heating too there was growth in renewable solutions, and in particular heat pump water heating.

Brand activities

Taking care of our brands continued to be a key lever to sustain our value and growth. In 2022, Ariston Group focused on two core areas: global execution of the Ariston brand refresh and portfolio management of the brands.
Global execution of the Ariston brand refresh. In 2021, Ariston Group decided to update the Ariston brand's positioning and visual identity to bring it closer to its values, while remaining loyal to its heritage. In 2022, Ariston's new payoff "The home of sustainable comfort" was implemented at global level to clearly communicate a renewed focus on HOME and COMFORT. It also represents a natural expression of Ariston Group's Italian DNA and its dedication to developing sustainable solutions, as a specialist in heating and water heating.
Portfolio management strategy for brands. While continuing to broaden its brand portfolio through acquisitions, Ariston Group started working on a defined and clear harmonisation path, identifying a clear role, objectives, and plan for each brand, to provide stronger and more competitive offerings to all our customers and consumers.

Hot water technologies

Renewable solutions

In Europe, in 2022 the market for hot water heat pump solutions saw very strong growth in volumes. In this context, Ariston Group improved its market share.

Electric storage solutions

In 2022, the demand for electric storage water heaters decreased in the main European markets to around 2020 volumes, after the extraordinary growth seen in 2021.
The trend in demand was positive in the main emerging markets in Asia and overall slightly negative in Africa and the Middle East.
North America, and in particular the US, showed a negative trend in demand for electric storage systems. In this context, Ariston Group's worldwide market share is estimated to be stable.

Gas solutions

In 2022, the main European markets where the Group operates saw a decrease in instant gas solutions. In North America the US market was stable, while Mexico decreased.
As for gas storage solutions, the Group's main markets are in North America (US and Mexico). In both countries, markets are estimated to have significantly decreased in 2022. Ariston Group's worldwide market share is estimated to be stable.

Heating solutions and services

Renewable solutions

In 2022, renewable technologies (hydronic heat pumps) saw extremely strong growth in all European markets. Renewable heating technologies were supported by government incentives in the form of fiscal stimulus (e.g. in Italy, France, Germany and, more recently, in the UK) aimed at supporting, in particular, the replacement of the existing installed base of conventional boilers. Ariston Group managed to capture the strong growth and to increase its market share.

Gas solutions

In 2022 the progressive shift toward renewable technology continued, supported also by the outbreak of the Russia-Ukraine conflict, and the consequent increase in gas prices. In this context, Ariston Group's market share was stable.
North America saw a positive trend for the high efficiency market.
In China, the overall market for boilers shrank as the government discontinued "coal-to-gas" incentives; nevertheless, the mix is moving towards more environmentally-friendly products, with the market for condensing gas boilers growing faster than the market for non-condensing boilers.

Burners

The European burner market has been influenced by the effects of the Ukrainian conflict: while residential oil and gas applications slowed down, dual fuel burners and medium/high-capacity oil burners grew markedly as an alternative in the case of a gas shortage, above all in process and industrial applications. The Russian market was affected by the war sanctions, banning the importation of burners. Also the Chinese market decreased due to the government's "Zero Covid" policy. Nevertheless, the burner division offset the difficulties in the residential market, Russia and China with strong results in Germany and positive growth in several markets worldwide, particularly in the Netherlands, Italy, East Europe, Turkey, Kazakhstan, India and Arabian countries, thanks also to some important projects in industrial and process applications.

Components

In 2022, the business line for electric heaters and thermostats for water heaters registered growth, driven by resilient demand, especially in the Middle East, and a general increase in value due to the rising cost of raw materials and utilities. The business line for electric heaters for professional and industrial applications registered exceptional growth, driven by both strong demand and an increase in value. Demand-based growth has been mainly concentrated in the catering and industrial sectors, with a strong contribution from electrification and decarbonisation global trends. Demand for heaters for domestic appliances slowed down, albeit it slowed in line with the global MDA trend.

4.5 New Products, Services, Research and Development

Hot Water Technologies

Renewable Products

In 2022 Ariston launched a new range of commercial heat pump water heaters for the Asia Pacific region, including both products for sanitary hot water from 7 to 48kW and products for swimming pool applications with a titanium heat exchanger from 6 to 47kW.

In the solar thermal business, Ariston launched the new KAIROS THERMO GR-2, a flat vertical panel acting as an indirect solar water heater, with high performance and a competitive price. The product, available in the ARISTON and CHAFFOTEAUX brands, is sold in Europe and MEA markets and is available both for on-roof and flat-roof installation with 3 capacities (150L, 200L and 300L).

Moving to cylinders, during the second quarter of 2022, in Europe Ariston launched the new CD HHP indirect water heater. This product, available in 5 different versions (from 200 to 450 litres, with 1 or 2 heat exchangers), has been developed to provide a turnkey water heating solution in combination with new residential air-to-water heating heat pumps.

In addition, in the first quarter of 2022, Ariston enlarged its range of buffer tanks CKZ, dedicated to HHP systems. 6 new models (from 80 to 500 litres) were launched in European markets, with the aim of increasing the competitiveness of the Group in a highly price-sensitive segment.

Electric Products

In the second quarter of 2022, Ariston launched the PRO 1 ECO POWERFLEX in Italy, a traditional product with an innovative technology that allows the end user to avoid blackouts and overloading of electric meters. Using the Chain-2 protocol the product is capable of modulating its power or shutting down completely based on real-time consumption from the meter, reducing the load and providing an audible alert in the case of an approaching blackout. This is the first step for Ariston in the direction of Home Energy Management.

In the last quarter of 2022, Ariston launched the Axios range in South Africa, a new platform that completely renewed the mechanical range, improving the maintenance and reliability of the products.

In Asia, Ariston updated its offer with the new premium (ANDRIS and SLIM LUX D) models. The launch was rolled out in Vietnam in the third quarter and is coming soon for the other Asian countries. A completely refreshed interface – from a traditional knob to soft touch control to adjust temperature, and from LED lights to a display in order to visualize all the parameters – improves the customer experience. The model is also equipped with Wifi.

2022 was the year of the launch of the Ariston Aures Eli 2.0, a single point electric instant water heater platform: a complete offer of 4 models covering the full segment of single point water heaters dedicated to Asia Pacific, whose introduction in Vietnam has been completed successfully. Additionally, Ariston Aures Multi's offer was enlarged, including a new 7kW model for India, a new ELCB model for Thailand, and a new model for Saudi Arabia with increased efficiency. Finally, in 2022 in Israel Ariston Group introduced the first electric instant water heater models under the Chromagen brand.

Gas Products

In the gas storage water heaters product category, the new Low NOx Power Vented range – American Standard branded – was launched in the US, together with new value propositions (in terms of usability and safety).

In Mexico, Calorex completely renewed its offer of Gas Storage and Gas High-Recovery Water Heaters: the new ranges, named respectively Maximus and Poderus, feature both mechanical and electronic models (including the addition of a specific Wifi version) and enhanced aesthetics for a more modern look.

Heating Service and Solutions

Heat Pumps Systems and Solutions for the Residential Segment

For Ariston Group 2022 was a year rich in innovation in the heating heat pump segment, which continued to grow and achieve significant results.

Ariston Group completely renewed its heat pump mainstream line with the introduction of Ariston Nimbus NET R32 platform on all markets, a significant step forward in terms of performance and design compared to the previous line, which is set to be phased out at the beginning of 2023.

Ariston Nimbus S NET R32 heat pump system uses R32 refrigerant, a sustainable, economic and efficient choice with a low Global Warming Potential (675 vs. 2,088 for the previous model) and zero-ozone depleting potential. Nimbus S NET R32 is endowed with new internal units that combine a revised and modern design with improved technical features conceived to increase both thermal comfort for end users and ease of installation for professional technicians.
Thanks to a new cascade manager option, the new Nimbus S NET R32 can meet the demand of both single family houses and apartments with low-demand independent heating systems, and communal residential blocks with high-demand centralized heating systems, up to 75kW.

Nimbus NET R32's introduction was accompanied by a complete renewal of Ariston's offer of hybrid solutions. Starting from November 2022, the hybrid offer has been completed with the introduction – in addition to the monobloc application – of Nimbus Hybrid Split Indoor Units, designed to maximise compactness in installation, allowing the creation of hybrid systems with the whole range of Nimbus NET R32, both for monobloc and split applications.

In 2022, the Elco product range was enriched with the AEROTOP SX platform, an entirely new heat pump model using R32 gas refrigerant, to meet the highest standards required by the Swiss and German markets. AEROTOP SX is a monobloc heat pump designed to deliver thermal comfort all year round, with the capability to satisfy both cooling and heating needs, as well as to supply domestic hot water. A particular effort was made to combine the highest possible thermal comfort performance with the lowest noise emissions, which has made AEROTOP SX one of the most efficient low-noise heat pump solutions in its category available on the market. Finally, the design features minimise its visual impact on building aesthetics, making AEROTOP SX a perfect fit for small residential properties too.

High-Efficiency Boilers for the Residential Segment

In 2022, in Europe Ariston launched the One+ boilers, characterised by a range of advanced features that ensure comfort, efficiency and full heat management through connectivity. These boilers are certified for 20% hydrogen and tested for a blend that goes up to 30%. Moreover, emissions have also been reduced, as NOx levels were brought down to 25 mg/kWh. The boilers achieved the A+ Energy Class, thanks to advanced thermo-regulation accessories and the ability to receive outdoor temperature data from the Internet. They also allow for easier troubleshooting both on site and remotely thanks to built-in connectivity, the new Flow Control System+, and the new Ignition Control System+. The brand-new Ignition Control System+ self-detects gas characteristics to ensure quick and easy activation in the case of gas variations in the grid, while the Flow Control System+ provides step-by-step on-screen instructions for hydraulic system optimisation, while minimising the time and effort needed for flow-rate balancing. All products in the One+ NET range can be controlled remotely via the Ariston Net App, and AI capabilities enable smart scheduling and an optimum start, to further improve comfort management and energy saving.

Ariston also launched the new Clas One WiFi range. These models, thanks to integrated connectivity, can be remotely managed via Ariston Net App, leveraging an array of functionalities that span from simplified product interaction to consumption optimisation and prompt assistance.

Solutions for the Commercial Segment

In 2022, the Elco AEROTOP M and L commercial heat pumps were introduced in Italy and Hungary, following the previous launches in Germany, the UK, Poland, Denmark and France; a number of additional countries are set to launch in early 2023.
As regards high-efficiency condensing products, instead, the introduction of the new range was finalised across all the target markets. Feedback was positive and products were welcomed by both internal and external stakeholders.

Services and Parts

Direct and Indirect Services

In its five main countries Ariston Group implemented a new Field Service Management system, to improve field operations planning, execution and tracking: a state-of-the-art, Solution-as-a-Service, cloud-based suite that allows Service Technicians to work efficiently and paves the way for further evolution.
In Italy Ariston Group also launched the pilot of a new front-end platform for the network of authorised service centres. The app is built considering both external stakeholders' needs in terms of UX/UI, and internal departments' needs in terms of quality; it makes it possible to carry out a complete paperless end-to-end process and includes both mobile and desktop versions; it will be rolled out on other markets through the ICT corporate aftersales system in coming years.

Globally, Ariston Group also worked in order to ensure a new set of business intelligence reports for indirect service markets, made available to all the markets by the end of the first quarter of 2023.

Parts

In 2022 Ariston Group focused on guaranteeing very high customer satisfaction, despite the supply chain turbulence experienced worldwide. Some innovative approaches were evaluated in key areas such as for instance business intelligence and the circular economy related to spare parts.

Connected Services

Homes get smarter, life gets simpler and the world becomes greener thanks to data science and IoT. With this strong belief, Ariston Group continued to invest to enhance the level of innovative digital services offered to its customer base, both consumers and professionals, leveraging Artificial Intelligence and data science to reduce connected products' CO_2 emissions:

- **Ariston Net** is a consumer app that enables remote control and encourages sustainable behaviour, thus allowing energy saving.
- **Ariston Net PRO** is a remote web support platform for professionals, which helps boost operational efficiency and customer loyalty while reducing the need for physical interventions, with a positive impact on service costs as well as on the carbon footprint.
- **Ariston Net OPEN** facilitates the integration of connected services into smart home ecosystems and multi-brand facility or maintenance management software systems.

Home Energy Management and Demand Response

Ariston Group remains committed to pioneering Home Energy Management (HEM) and Demand Response (DR) services in Thermal Comfort.
As part of this focus, the Group introduced the Power Flex product to the market, representing the first Energy Storage Water Heater (ESWH) in a new product roadmap that includes HEM services such as PV self-consumption and peak management.
As regards Demand Response, the Group is working on a pilot phase on several activities in different European countries to use Ariston Electric Storage Water Heaters to offer flexibility services to TSOs.

Components

The Components Division focused on the development of new products, to stay at the forefront of emerging market trends.

- Flow heaters for HHP: Ariston Group consolidated a range of electric heaters for HHP, serving a "back-up" function in the case of very cold outdoor temperatures and serving a "booster" function for maximum performance
- Connectivity: Ariston Group developed a smart thermostat range enhanced with a WiFi module, allowing for the possibility to remotely control water heaters/cylinders through a smartphone app
- Stem thermostats for small water heaters: Ariston Group developed an extension of the current range of PLUS thermostats to fit small and compact water heaters.

Burners

The Burner Division also worked to fulfil the opportunities arising from markets:

- Residential Bio-fuel: a new range of residential oil burners suitable for the different types of renewable biodiesel was developed, mainly for the French market where the F30 biofuel became obligatory for new installations after July 2022.
- EK-TRON: in the second half of the year the new Elco EK-TRON range between 2 and 6 MW was launched to compete in the middle segment of the markets. The range is completed with the electronic and mechanical regulation versions both on a Cl2 and Cl3 Low NOx level.

- Dual Fuel range: driven by the increasing market demand for dual fuel burners, the Division started to upgrade the current Ecoflam dual fuel range, improving the Nox emission to under 80 mg/Nm3 and developing the new EK-TRON dual fuel range.
- RPD N: the Duoblock range of RPD N was completed with the production of the 130 and 160 models (80 MW), delivered to the Chinese market.

4.6 Manufacturing & Supply Chain operations

Procurement

During the course of 2022, material availability and costs continued to be a major challenge for our supply chain. Rampant global inflation and soaring energy prices impacted raw material costs, while the persistent shortages, especially in the semiconductor industry, took up the majority of resources which were deployed in mitigation activities. Moreover, the Russia-Ukraine war triggered a significant energy price shock.
Despite the challenging scenario, though, thanks to our existing multi-source strategy and to strong relations with our strategic suppliers, Ariston Group delivered another record year in terms of units produced, while mitigating the raw material inflation with cost takeout actions, hedging strategies and long-term agreements with strategic partners.
Group Procurement is also executing the approved digitalisation project, having successfully introduced the first E-Collaboration module, with the remaining 2 modules in line with the planned introduction timeline during 2023. Supply Chain Digitalisation campaigns are expected to improve data exchange with suppliers, thus bringing efficiency along the flow of materials to manufacturing plants.

Manufacturing

Throughout 2022, Ariston Group production sites were asked to deliver a very strong performance in order to best follow customer demand in terms of volumes and mix – with a steady shift towards renewables, while ensuring the highest safety and quality standards at the optimum cost and efficiency levels.
Manufacturing has relentlessly worked to continue on the journey of eliminating waste and improving performance, following the World Class Manufacturing approach that the Group has closely embraced since 2011, expanding its scope to include wider angles in terms of the production sites involved and the Central Functions. Furthermore, to be aligned to state-of-the-art technologies, manufacturing equipment used at our production sites has been constantly updated further.

Supply Chain and Logistics

Supply Chain and Logistics conditions continued to be very challenging also in 2022.
With some businesses still grappling with the fallout from the pandemic, geopolitical conflicts, threats of strikes and weather-related disasters tested supply chains. The EU decision to issue sanctions against Russia, as a consequence of the outbreak of the conflict, blocked the import/export of certain commodities or finished goods, thus impacting on prices; meanwhile, COVID-19 lockdowns in China made businesses strive for alternatives, as some suppliers paused production. Transportation delays also continued to plague shippers in 2022, while oil prices reached their highest levels since 2014.
Ariston Group decided to set up a team dedicated to monitoring the development of the situation in Russia, managing the consequences of the restrictions and anticipating possible disruptions. The Group also strengthened the focus on sourcing activities, in order to face the oil price increase that heavily impacted transportation costs.
Above all, for Ariston Group 2022 was the year to think about long-term activities – the ultimate goal of supply chain leaders, in fact, must be to maximise resilience by balancing investments in dedicated teams, processes and technologies, to enable organisations to implement end-to-end risk management. The Group invested in two initiatives: Digital Supply Chain and One Team, respectively related to tools and organisational improvements, with the objective to improve visibility across extended supply chains and enable an organisation that uses advanced technologies to anticipate and boost its response to major disruptions and variables within its domestic, regional and global supply chains.
Besides global disruptions, Ariston Group's industrial sites were impacted as well by an unprecedented event: the flooding that affected the Marche region in September. Particularly, the Genga plant, one of the largest in Italy dedicated to water heater production, suffered serious equipment damage and halted production for nearly seven weeks. Once again, the

Group tasked a fully dedicated rescue team to find alternative in-house sources, deal with markets to convince them to accept the alternatives, and give priority to production once it restarted.
Finally, the Group continued to invest in the "World Class Logistics" improvement program and focused on some important European warehouses, to enhance the efficiency and the quality of operations

Quality

During 2022 the Group Quality Roadmap, which was launched in 2021, was further deployed and rolled out. The prioritization of initiatives, in terms of benefits and effort, led to the selection and development of the first set of projects, covering topics such as defining and sharing the Quality Strategy, increasing quality awareness within the organisation, strengthening new product development, manufacturing, supplier and service processes, as well as improving KPIs and cost analysis capabilities.
During the year, furthermore, the Quality organisation was reviewed and reinforced, to support the Group's transformation and growth.

4.7 Human Resources

Workforce

With the aim of fair and transparent workforce representation, in 2022 we changed our reporting data from FTE to Headcount and consequently restated the 2021 and 2020 figures.
As at 31 December 2022 the Group's workforce stood at 7,975 employees, reporting a slight increase compared to December 2021 (+1.5%) and an increase compared to December 2020 (+7%).
The increase compared to year-end 2021 is attributable mainly to the Chromagen acquisition and the continuous growth in Research & Development and Digital personnel to strengthen the pool of skills and competencies in view of technology transitions, particularly electrification, digitalization and cloud web-based software technologies.
In 2023, the Centrotec acquisition (2,500+ individuals) will continue to contribute to reinforcing our global workforce, significantly improving Ariston Group's competitive position.

Talent Acquisition and Employer Branding

In its endeavours to play a competitive role in the industry, Ariston Group continues to focus on attracting key competencies from outside and retaining talented employees over the long-term.
Everything starts by building stronger employer branding and reinforcing our Company's reputation: this is why, in 2022, the consolidation of our global recruitment platform and a very systematic approach to recruiting became fundamental to ensuring a better experience for candidates.
We have significantly adapted to the needs of a highly challenging job market and put our efforts into supporting both young generations and highly skilled professionals.
Ariston Group has a close focus on new graduates from technical universities and training schools and offers them dedicated career programs and academies in which they can build the competencies for the future. In 2022 we confirmed the third edition of the Digital Career Program, offering on-the-job experience and structured training on business-related topics and on soft skills. Another successful initiative was the "Operations' Leaders": this recruiting program targeted talented professionals from all over the world, with expertise in the areas of Industrial Engineering, Production Management, Logistics, Quality, Maintenance and WCM Coordination, who were willing to boost their careers and play an important part in our manufacturing organisation. This allowed a strong injection of critical competencies and the ability to build a solid talent pipeline to support our Company's growth.
Our global recruiting strategy continues to focus on injecting new critical competencies in a more digitalized, diverse and sustainable environment: this is why not only technological skills rank at the very top in terms of requirements, but also social and emotional skills.

Organizational Project

In line with the planning of the ambitious “One Team” Program – launched in 2020 to help clarify accountability, roles and decision-making processes to streamline procedures, review local as well as global structures and evolve to a more cross-functional approach - in 2022 the focus of the Organisational development was on HR, Finance and Supply Chain & Logistics to evolve towards an even stronger internal business partners approach setting a “One Team” approach.
In all the 3 streams the starting-point was the rethinking of the function’s overall strategy and organisational model to clarify roles and responsibilities across geographical areas as well as to create a stronger professional family affiliation, helping in this way also in opening up new growth opportunities to talented people.
In parallel, new tools were identified and launched to sustain the new way of working and the digital transformation across the 3 functions:

- In HR, the launch of a new Intranet in December 2022 supported a cohesive communication strategy, while the definition of an HR IS roadmap defines the digitalization steps of the HR processes in the next 2-3 years.
- In Supply Chain & Logistics, concurrently with the design of the new organisational model and roles, the Digital Supply Chain system was defined to accelerate the new way of working, maximizing effectiveness, reducing manual work, and focusing on added value activities.
- A similar approach was adopted for Finance, leading to a redefinition of roles and structural changes at all levels and in parallel to the completion of the New Finance Model, which reviewed the Group Finance systems as well as processes and flows behind.

Global Leadership Program (GLP)

Launched in 2021, the fully digital GLP program was initially addressed to Executives and Senior Managers, so that they could lead by example and bring about a cultural change through a consistent managerial style. In 2022, the Group extended the Global Leadership Program to Middle Management, covering 25 countries, and in 2023, it will also be applied to Individual Contributors, with follow-ups planned for Executives and Senior Managers in order to keep strengthening our leadership style and investing in diversity. Key methodologies include tailored training sessions, individual business coaching journeys, team learning sessions, webinars and online content, for a total of more than 280 hours of training carried out in 2022 in 8 different languages to reach our employees around the globe in the most effective way possible.

4.8 Regulation

As in many other respects, the global policy and regulatory conversation in 2022 was dominated by the fall-out from the outbreak of the Ukrainian conflict. All major commodity markets were rattled by both the conflict and the countermeasures decided at both European and G-7 level, including the embargo on oil supplies, as well as by the Russian decision to progressively lower exports of natural gas to Europe.

The response at European Union level was the adoption of a set of actions – spanning short-, medium- and long-term measures – under the REPowerEU Plan, which aims at providing Europe with affordable, secure and sustainable energy. Among other things, measures related to the faster deployment of hydronic heat pumps were identified, alongside the proposed setting of stricter requirements for heating systems that would imply stand-alone boilers powered by fossil fuels not being placed on the market any longer starting from 2029. In parallel, the co-legislators of the European Parliament and Council continued debating the content of the Fit-for-55 Package of legislative measures proposed by the European Commission in 2021, which upon completion will have far-reaching implications on the Group’s business. The European Commission also tabled some other critical proposals that tackle the emissions caused by fluorinated gases used as refrigerants and introduced restrictions on placing on the market heat pumps containing certain refrigerants (F-Gas Regulation) as well as the sustainability of products (Ecodesign for Sustainable Products Regulation), which aims at promoting the durability, repairability, reusability, upgradability, and recyclability of products.

Meanwhile, across the Atlantic Ocean the United States Biden-Harris Administration ushered in a new era of clean energy manufacturing with the release of the Defence Production Act (DPA) first and, more importantly, the Inflation Reduction Act (IRA) later. The IRA, in particular, is seen as a landmark bill that provides tax incentives and funding programs to build a clean energy economy. It is anticipated that it will provide solid opportunities for companies active in the thermal comfort space, given the focus on the electrification of heat and the role in particular of heat pumps and heat pump water heaters. In parallel, both government agencies and some U.S. states continued focusing on the energy efficiency of buildings and products, as well as the demand-response capability of water heaters. Among other things, the Environmental Protection Agency (EPA) released a proposed rule targeting the phasedown of hydrofluorocarbons and restrictions on the use of certain hydrofluorocarbons, similar to what is currently ongoing in Europe; also, the Department of Energy (DOE) released new requirements pertaining to the Energy Star for water heaters.

Several regulatory interventions focused on streamlining and making incentive schemes more sustainable. For instance, Italy redefined the perimeter and duration of its Ecobonus and Superbonus scheme, which allows for the renovation of buildings, including technical systems such as heaters and water heaters. Germany also reformed its *Bundesförderung für effiziente Gebäude* (BEG – Federal Funding for Efficient Buildings), that has seen the promotion of heat pumps take centre stage with a bonus for heat pumps using natural refrigerants such as R-290 (propane). In the United Kingdom, the government launched the Boiler Upgrade Scheme, which provides upfront capital grants to support the installation of heat pumps and biomass boilers in both homes and non-domestic buildings in England and Wales. Similar incentive programs were also introduced or modified in other countries and areas, a clear sign that the tightening of regulation pertaining to building codes and energy-consuming products must go hand-in-hand with the provisions of public financial support.

Finally, it must be noted that in 2022 several countries either started or continued working on initiatives related to product energy efficiency, safety and circularity and waste management. Among other things, new regulatory initiatives were implemented in markets such as Mexico, Vietnam, Singapore, the United Arab Emirates, Algeria and Uzbekistan with regards to energy efficiency, Morocco with regards to the safety of gas appliances and France with regards to the circularity of products and waste management. Finally, it is worth noting that the United Kingdom confirmed that the deadline for the mandatory use of the UKCA mark has been extended through 31 December 2024, allowing CE marking up until then.

4.9 Group Financial Review

4.9.1 Net Revenue Performance

Overall performance

	2022		2021	
Thermal Comfort	2,187.4	92.0%	1,807.0	90.9%
Components	95.5	4.0%	85.8	4.3%
Burners	95.9	4.0%	94.6	4.8%
Total Net Revenue	2,378.8	100.0%	1,987.3	100.0%

Revenue by business line

Thermal Comfort. Serves the Group's two main business categories, Hot Water and Heating, and represents the Group's largest division, recording net revenue of € 2,187.4 million, or 92.0% of total revenue, in 2022 compared to € 1,807.0 million, or 90.9%, in 2021, up € 380.4 million or 21.1% (of which 13.6% organic and foreign exchange impact). The Thermal Comfort division stood out for the steady growth of its European markets and all the key markets of the other geographical areas.

Components. Recorded net revenue of € 95.5 million for 2022, or 4.0% of total net revenue, compared to € 85.8 million, or 4.3%, in 2021. The increase in net revenue by € 9.7 million or 11.3% was driven by the professional business and the price increase on domestic business.

Burners. Recorded net revenue of € 95.9 million for 2022, or 4.0% of total revenue, compared to € 94.6 million, or 4.8% of total revenue, for 2021, up € 1.3 million or 1.4%. The substantial stability is due to the growth in some key markets such as Germany and Netherlands that balanced the reduction in Russia and China.

Net revenue by geographical area

Europe. Represents the Group's largest market, recording net revenue of € 1,537 million for 2022, or 64.6% of total revenue, compared to € 1,323 million, or 66.5%, in 2021, up € 214 million or 16.2% (of which 15.8% organic and foreign exchange impact). The increase was mainly driven by the growth in renewable and high-efficiency products in some important markets such as Poland, Italy, and others Eastern European markets.

Asia, Pacific & MEA. Represents the second largest market for the Group, recording net revenue of € 542 million for 2022, or 22.8% of total revenue, compared to € 385 million, or 19.4%, in 2021, up € 157 million or 40.6% (of which 7.5% organic and foreign exchange impact). The organic increase was mainly driven by a good performance on the water heater market in Indonesia, Vietnam and India.

Americas. Represents the Group's third largest market and reported net revenue of € 300 million for 2022, or 12.6% of total revenue, compared to € 280 million, or 14.1%, in 2021, up € 20 million, or 7.4% (of which 6,7% organic and foreign exchange impact). The increase was mainly due to a good performance on the heating market (US and Canada).

Perimeter variation

On 5 January, Ariston Group completed the acquisition of Chromagen group and, starting from January 2022, it is included in Ariston Group’s perimeter. The revenue increase related to the perimeter variation as at 31 December 2022 is equal to € 135.4 million.

4.9.2 Reclassified income statement

The table below shows the income statement (1) for 2022, with a comparison with the previous year, and a breakdown of the total change by organic growth and perimeter, exchange rate effects and hyperinflation.

(€ million)	2022		2021		*Total change*	*%*	*of which organic and perimeter*	*%*	*of which due to exchange rates and hyperinflation*	*%*
NET REVENUE	**2,378.8**	**100.0%**	**1,987.3**	**100.0%**	**391.5**	**19.7%**	**314.5**	**15.8%**	**77.0**	**3.9%**
Other revenue and income	42.7	1.8%	34.1	1.7%	8.5	25.0%				
Revenue and Income	**2,421.5**	**101.8%**	**2,021.5**	**101.7%**	**400.0**	**19.8%**				
Operating income (expense)	-2,227.8	-93.7%	-1,850.3	-93.1%	-377.5	20.4%				
OPERATING PROFIT (EBIT)	**193.7**	**8.1%**	**171.2**	**8.6%**	**22.6**	**13.2%**	**13.3**	**7.8%**	**9.3**	**5.4%**
Adjustment on operating income (expense)	28.9	1.2%	32.3	1.6%	-3.4	-10.6%				
OPERATING PROFIT ADJUSTED (EBIT ADJUSTED)	**222.6**	**9.4%**	**203.4**	**10.2%**	**19.1**	**9.4%**	**9.9**	**4.9%**	**9.2**	**4.5%**
Financial Income and Expense	-18.6	-0.8%	-3.9	-0.2%	-14.6	ns				
Profit (loss) on investments	4.7	0.2%	-1.9	-0.1%	6.7	ns				
PROFIT BEFORE TAX	**179.8**	**7.6%**	**165.4**	**8.3%**	**14.5**	**8.7%**				
TAXES	**-39.5**	**-1.7%**	**-29.1**	**-1.5%**	**-10.5**	**36.0%**				
NET PROFIT	**140.3**	**5.9%**	**136.3**	**6.9%**	**4.0**	**2.9%**				
Net profit attributable to non-controlling Interests	0.1	**0.0%**	-0.2	**0.0%**	0.3	ns				
Group Net profit	**140.3**	**5.9%**	**136.5**	**6.9%**	**3.7**	**2.7%**				
Tax effect of Adjustment on operating income (expense)	-6.3	-0.3%	-7.8	-0.4%	1.5	-19.3%				
Reversal of non-recurring taxation effect	0.0	0.0%	-9.0	-0.5%	9.0	100.0%				
Tax adjustments	**-6.3**	**-0.3%**	**-16.8**	**-0.8%**	**10.5**	**-62.6%**				
NET PROFIT ADJUSTED	**162.9**	**6.8%**	**151.8**	**7.6%**	**11.1**	**7.3%**				
Net profit attributable to non-controlling Interests	0.1	0.0%	-0.2	-0.0%	0.3	ns				
Group Net profit adjusted	**162.9**	**6.8%**	**152.1**	**7.7%**	**10.7**	**7.0%**				
Total depreciation and amortisation	89.8	3.8%	75.8	3.8%	14.0	18.5%				
EBITDA	**283.5**	**11.9%**	**246.9**	**12.4%**	**36.6**	**14.8%**	**24.1**	**9.8%**	**12.5**	**5.0%**
EBITDA ADJUSTED	**305.3**	**12.8%**	**276.8**	**13.9%**	**28.5**	**10.3%**	**16.0**	**5.8%**	**12.5**	**4.5%**

(1) For information on the definition of alternative performance measures, see the paragraph 'Definitions and reconciliation of the Alternative Performance Measures (APMsor non-GAAP measures) to GAAP measures'

Ariston Group ended 2022 with € 2,378.8 million in consolidated Net revenue, up € 391.5 million and +19.7% from € 1,987.3 million in 2021. The increase arises from organic growth of the Group (+9.0%) and from a perimeter variation related to the business combination with Chromagen group finalized in January 2022.

The Thermal Comfort division distinguished itself with very solid and strong growth in all key markets and business segments. There was remarkable progression of growth in all types of renewable energy such as heat pump water heaters and solar water heating and heating heat pumps.

The Burners division confirmed its substantial stability, whilst the Components division achieved significant growth in the professional channel confirming double-digit growth.

During 2022 EBIT confirmed the trend of the previous year, more specifically the price and mix were confirmed to be rising. The price increase offset in absolute value the headwind from inflationary trends in the cost of raw materials and logistics. The percentage of EBIT to net revenue shows a decrease compared to 2021 equal to 0.5%, also driven by Chromagen's result dilution.

EBITDA amounted to € 283.5 million, 11.9% as a percentage of net revenue, compared to € 246.9 million and 12.4% in 2021. Chromagen result was dilutive.

EBITDA adjusted totalled € 305.3 million, 12.8% as a percentage of net revenue, compared to € 276.8 million and 13.9% in 2021. The adjusted component amounted to € 21.8 million, compared to € 29.9 million in 2021.
The decrease compared to the previous year was mainly due to reducing footprint projects in the period as well as the reduction of expenses for multi-year and strategic restructuring programs and the pro-rata of the IPO project. In addition, in 2022 Ariston Group suffered severe damage at the manufacturing plants of Genga and Cerreto D'Esi due to the extraordinary flash floods on 15 September that hit Italy's central Marche region. The latter caused, in a nutshell, detriment to operating profit in different lines of the Profit and Loss. Up to 31 December 2022, Ariston Group identified direct damages for € 15.3 million, only partially reimbursed on account for € 5 million by the insurance company. Furthermore, Ariston Group developed a calculation, which is still on going and not reimbursed in the financial period, in order to evaluate the business interruption which, at the moment, is still eating into the operating margin as volume losses and inefficiencies due to the production interruption caused by the extraordinary event. The full insurance reimbursement will occur upon full restart of the operations, likely later in 2023. Lastly, adjusted items include the costs incurred for the Shares Purchase Agreement of CENTROTEC Climate Systems GmbH and relevant M&A activities.

EBIT adjusted was up in absolute terms but not as a percentage of net revenue, amounting to € 222.6 million and 9.4%, respectively, compared to € 203.4 million and 10.2% in 2021.
The adjusted components, relevant to EBIT only, amounted to € 28.9 million (€ 32.3 million in 2021) and included the amortization of intangibles arising from the 2019 acquisition of the Mexican Calorex Group and from the 2022 acquisition of Chromagen group, totalling € 7.1 million in 2022 and € 2.4 million in 2021.

EBIT for the period amounted to € 193.7 million, 8.1% as a percentage of net revenue, compared to € 171.2 million, 8.6% of net revenue, in 2021. Chromagen result was dilutive.

Overall, the Group reported € -18.6 million in financial income and expenses, with a € -14.7 million increase in financial expenses compared to the same period of the prior year. This was driven largely by the negative effect of exchange rates totalling € -8.90 million at 31 December 2022, compared to the € 4.1 million recorded at 31 December 2021. The remaining difference is due to the financial cost for defined benefit obligations (€ 0.8 million) and to the increase in interests on bank overdraft facilities (€ 2.9 million).
Therefore, operations generated € 179.8 million in Profit Before Tax, 7.6% as a percentage of net revenue, compared to € 165.4 million and 8.3% in 2021.

Net profit reached € 140.3 million compared to € 136.3 million in 2021.

Group Net profit reached € 140.3 million, compared to € 136.5 million in 2021.

The **Group Net profit adjusted** for the period amounted to € 162.9 million, 6.8% as a percentage of net revenue, compared to € 152.1 million, 7.7% of net revenue, in 2021.

4.9.3 Reclassified statement of financial position

The table below shows the financial position in a condensed and reclassified format, highlighting the structure of net capital employed and financing sources.

Financial position *(€ million)*	2022		2021		*total change*	*%*	*of which organic and perimeter*	*%*	*exchange rate and hyperinflation*	*%*
Trade receivables	308.4	33.8%	248.3	35.8%	60.2	24.2%	59.5	24.0%	0.7	0.2%
Inventories	476.8	52.2%	382.0	55.1%	94.8	24.8%	90.6	23.7%	4.2	1.1%
Trade payables	-494.4	-54.1%	-486.2	-70.1%	-8.3	1.7%	-5.3	1.1%	-3.0	0.6%
Net operating working capital	**290.8**	**31.8%**	**144.1**	**20.8%**	**146.7**	**101.8%**	**144.8**	**100.5%**	**1.9**	**1.3%**
% on Net revenue	*12.2%*		*7.3%*							
Net fixed assets	847.8	92.8%	780.2	112.5%	67.5	8.7%	51.1	6.6%	16.4	2.1%
Other non-current assets and liabilities	-55.2	-6.0%	-63.6	-9.2%	8.4	-13.2%	9,9	-15.6%	-1.5	2.4%
Other current assets and liabilities	-170.1	-18.6%	-167.5	-24.2%	-2.6	1.6%	-1.4	0.8%	-1.3	0.8%
Net capital employed	**913.3**	**100.0%**	**693.3**	**100.0%**	**220.0**	**31.7%**	**204.5**	**29.5%**	**15.4**	**2.2%**
Net financial indebtedness adjusted	-98.9	-10.8%	-184.8	-26.7%	86.0	-46.5%	82.2	-44.5%	3.8	-2.0%
Net equity	1,012.2	110.8%	878.1	126.7%	134.0	15.3%	122.4	13.9%	11.7	1.4%
of which attributable to non-controlling interests	*2.2*	*0.2%*	*-0.2*	*0.0%*	*2.4*	*ns*	*2.5*	*ns*	*-0.1*	*41.9%*
Total financing sources	**913.3**	**100.0%**	**693.3**	**100.0%**	**220.0**	**31.7%**	**204.5**	**29.5%**	**15.4**	**2.2%**

Financial position ratios	2022	2021
Gearing (Net equity attributable to the Group / Net capital employed)	1.11	1.27
DSO (Days Sales Outstanding - going back)	44.8	41.3
DPO (Days Payables Outstanding - going back)	97.6	96.7

In 2022, Ariston Group reported € 913.3 million in **Net capital employed**, up from € 693.3 million in December 2021.

Net operating working capital significantly increased in both absolute and percentage terms compared to December 2021. The increase was due both to business growth and also to ensure a steady supply of products to customers, avoiding any kind of logistical shortage on a selection of strategic components and products. Another financial consideration that is pushing Ariston Group net operating working capital is the increase in inventory value per unit, due to the mix change which is brought about by a double-digit increase in the sales of renewable products. There was also an inventory increase in finished products and merchandise for € 55.2 million and raw materials for € 32.5 million. Lastly, the perimeter variation related to the business acquisition of the Chromagen group was worth an additional € 33.5 million as at 31 December 2022, which was dilutive to the overall Net operating working capital performance.

Trade receivables trend, and DSO increase, was slightly impacted by the account remix sales.

The trade payables side is fairly steady compared to the previous year only affected by day-by-day management.

Net financial indebtedness adjusted decreased by € 86.0 million compared to the previous year, impacted by the acquisition of Chromagen group as well as the consolidation of its € 45.5 million net financial indebtedness adjusted.
The gearing ratio registered a small decrease. The ratio is 1.11 in December 2022, compared to 1.27 in December 2021.

Net fixed assets amounted to € 847.8 million, up from € 780.2 million in December 2021. Tangible asset investments were in line with the previous year. The increase was mainly due to the perimeter variation for € 41.0 million related to the Chromagen group considering the overall effects from the Shares Purchase Agreement. Meanwhile, the year-end exchange rate caused the value of Net Fixed Assets to increase by € 16.4 million.

Other non-current assets and liabilities totalled € 55.2 million, versus € 63.6 million in December 2021, up € 8.4 million compared with the previous year. A significant variation of € 13.1 million was caused by the change in the financial assumptions for Defined Benefit Obligations under IAS 19 and for the non-current portion of the contract liabilities dows for € 2.5 million.

Other current assets and liabilities totalled € 170.1 million, versus € 167.5 million in December 2021, down € 2.6 million compared with the previous year. The change was caused by a series of factors such as a net increase in VAT liabilities (€ 4.9 million), net tax liabilities (€ 6.5 million), customer credit balances (€ 4.0 million), contract liabilities and other deferred income for € 6.3 million. These items were partially offset by the Put & Call execution on HTP (now named Ariston Thermo USA LLC) for € 24.5 million.

Net equity amounted to € 1,012.2 million, compared to € 878.1 million in the previous year. The overall € 134.0 million increase was due to the Net profit for 2022 of € 140.3 million, € 23.7 million for the cash flow hedge reserve, increases for € 6.6 million for the expense of LTI plans for the year 2022, € 12.5 million for the variation due to the buyback of treasury shares, € 11.6 million for the positive exchange rate effect on the translation of equity, € 7.9 million for the restatement reserve increase (IAS 19) and a negative impact of € 46.4 million for the dividend pay-out.

4.9.4 Net Operating Working Capital

Net operating working capital *(€ million)*	**As at 31 December 2022**	**As at 31 December 2021**	*total change December 2022 vs December 2021*	*of which organic and perimeter*	*exchange rate and hyperinflation*
Trade receivables	308.4	248.3	60.2	59.5	0.7
Inventories	476.8	382.0	94.8	90.6	4.2
Trade payables	-494.4	-486.2	-8.3	-5.3	-3.0
Net working capital	**290.8**	**144.1**	**146.7**	**144.8**	**1.9**
% of Net revenue	*12.2%*	*7.3%*			

Net operating working capital totalled € 290.8 million, 12.2% as a percentage of net revenue, compared to € 144.1 million and 7.3% at the end of December 2021.
Effect described in sub-paragraph '4.9.3 - Reclassified statement of financial position'.

Trade receivables totalled € 308.4 million and 13.0% as a percentage of net revenue, compared to € 248.3 million and 12.5% in December 2021, with Days Sales Outstanding at 44.8 and 41.3 days respectively.

Inventories amounted to € 476.8 million and 20.0%, compared to 19.2% in December 2021.

Trade payables increased to € 494.4 million, 20.8% as a percentage of net revenue, compared to € 486.2 million and 24.5% in December 2021. Days Payable Outstanding remains nearly identical, up only to 97.6 from 96.7 days in December 2021 as a result of the careful management of procurement contracts and the relevant terms and conditions.

Organic growth totalled € 111.3 million, the perimeter variation following the business combination with Chromagen amounts to € 33.5 million, while the exchange rate effect was a positive € 1.9 million.

4.9.5 Reclassified statement of Cash flows

The table below shows a simplified and reclassified version of the cash flow statement in the consolidated financial statements.

The main reclassification consists in the representation of the change in the Net Financial Indebtedness adjusted at the end of the period as the result of the total net cash flow generated (or absorbed). Therefore, the cash flows relate to changes in Operating, Investing, and Financing activities, both current and non-current.

Cash Flows *(€ million)*	2022	2021
Net Financial Indebtedness adjusted at the beginning of the period	**184.8**	**-143.6**
EBITDA	283.5	246.9
Taxes paid	-35.4	-39.5
Provisions and other changes from operating activities	-1.4	-3.5
Changes in net operating working capital	-115.8	-13.2
Cash flows from Operating activities	**130.9**	**190.7**
Capital expenditure	-78.6	-78.1
IFRS 16 leasing payment	-23.1	-22.2
Other changes	34.1	-2.0
Free Cash flow	**63.4**	**88.3**
Cash flows from Financial investments activities	**-77.2**	**-8.1**
Cash flows from Other activities	**-72.1**	**248.2**
Total Net Cash flow	**-86.0**	**328.5**
Net Financial Indebtedness adjusted at the end of the period (*)	**98.9**	**184.8**

** Positive figures represent net cash.*

Net cash flow reflected a cash flow absorption of € -86.0 million, down on € 328.5 million in the same period of the previous year.

The variation in cash flow absorption was mainly related to the swing in net operating capital, reflecting the considerations described in sub-paragraph '4.9.4 - Net Operating Working Capital'.

EBITDA growth in the reporting period compared with the previous period was the primary positive driver of cash generation.

The reduction in taxes paid to € 35.4 million was also affected by the Italian tax consolidation (including Merloni Holding S.p.A.).

Provisions and other changes from operating activities resulted in a cash absorption of € 1.4 million mainly driven by the cash out for employees' liabilities and the net effect of suppliers and customers' advances.

Net operating working capital recorded cash absorption of € 115.8 million and included the effects of the Chromagen group from the acquisition date totalling € 6.7 million, mainly driven by net revenue growth and the supply policy adopted by the Group.

Other changes were mainly driven by the positive MTM impact.

Free Cash flow was mainly affected by the cash flow absorption related to changes in net operating working capital.

Financial investment activities included the cash outflow for the business acquisition and the Call options. The delta between 2022 and 2021 on Financial investment activities was due to the acquisition of the Chromagen group and the Put & Call execution to acquire the minority of HTP (now named Ariston Thermo USA LLC).

In other activities there was the positive impact from the IPO and instead in 2022 there was cash absorption including € -46.4 million in dividends, € 0.9 million in divestments, € -12.5 million for the buy-back of treasury shares, € 3.8 million in exchange rate effects concerning the net Financial Indebtedness adjusted, and € -11.3 million in financial and exchange charges absorbed.

4.9.6 Net financial indebtedness

The ESMA 32-382-1138 guideline entered into force in March 2021.
The main differences between Net Financial Indebtedness adjusted and Net Financial Indebtedness ESMA imply the inclusion of the financial liabilities of the Put and Call option under gross debt and the exclusion of positive Mark To Market derivatives and escrow accounts from Financial Assets under Net Financial Indebtedness ESMA.

	Net Financial Indebtedness	2022	2021
	(€ million)		
A	Cash	999.2	689.3
B	Cash equivalents including the current financial assets	0.1	0.4
C	Other current financial assets	12.3	4.5
D	**Liquidity** (A+B+C)	**1,011.6**	**694.2**
E	Current financial liabilities	-53.5	-71.1
F	Current portion of non-current financial liabilities	-32.7	-23.1
G	**Current Financial Indebtedness** (E+F)	**-86.2**	**-94.2**
H	**Net Current Financial Indebtedness** (G-D)	**925.4**	**599.9**
I	Non-current financial liabilities	-865.2	-446.4
J	Non-current financing (Debt instruments)	0.0	0.0
K	Non-current Trade and Other Payables	0.0	-4.5
L	**Non-Current Financial Indebtedness** (I+J+K)	**-865.2**	**-450.9**
M	**Total Financial Indebtedness** (H+L) (*)	**60.2**	**149.0**

Reconciliation Net Financial Indebtedness *(€ million)*	2022	2021
Net Financial Indebtedness	**60.2**	**149.0**
Put and Call liability	3.8	29.5
Escrow	0.0	5.5
Positive MTM	34.8	0.8
Net Financial Indebtedness adjusted (*)	**98.9**	**184.8**

** Positive figures represent net cash.*

Net Financial Indebtedness adjusted (including lease liabilities) corresponded to a net cash position of € 98.9 million, compared to the € 184.8 million net cash as at 31 December 2021.

As of 31 December 2022, liquidity amounted to € 999.2 million excluding back-up credit facilities. Ariston has an unused committed revolving credit facility totalling € 430 million.

During 2022, the Group signed a new medium/long-term syndicated credit line with major international financial players.

At 31 December 2022, long-term debt amounted to € 820.8 million, with an average maturity of over 4.1 years. 51% of said debt is hedged and 49% is at a variable rate.

Short-term debt due to banks at the end of 2022 amounted to € 14 million. The used and unused credit lines (both committed and uncommitted) totalled approximately € 1.7 billion, of which 53% had been drawn.

4.9.7 Capital Expenditures

In 2022, Ariston Group's capital expenditure totalled € 78.6 million, 3.3% as a percentage of net revenue, compared with € 78.1 million in 2021, up by 0.6% year-on-year.

Investments include:

- Investments in physical assets for a total of € 58.5 million.
  The main projects during the year were related to the first phase of the new footprint in the Cerreto site for the production of top of the range electric water heaters. Furthermore, the Group continued to invest in renovation and safety upgrades of plants at various sites in order to improve their efficiency (Genga, Cerreto, Osimo, Arcevia, Resana, Namur); rationalization of the footprint (Hanoi, Lichtenvoorde); and the increase in production capacity to meet growing market demand (Albacina, Follina). The Group made investments in new products in the field of domestic water heating (Velis 3.0) and new electrical products for South Africa and India. On the heating business, the Group invested to strongly reinforce various laboratories dedicated to heating heat pumps to equip them with state-of-the-art equipment for product testing to improve quality tests and heating system simulation (Albacina, Osimo, Cambiago). Finally, part of the spending was dedicated to commercial areas (training rooms, office renovation) and direct service equipment.

- R&D investments: € 2.8 million (in the intangible assets category – an additional € 4.7 million in progress did not result in depreciation).
  The Group capitalized water heating projects related to the development of new products: new domestic water pumps for the US, and new water heating pumps for European markets. In environmental heating, the capitalized R&D costs related to both mainstream and top of the range HHP projects using the latest generation of refrigerant gas.

- ICT investments € 12.6 million.
  During 2022, the Group continued implementing the ERP system in new areas: USA and Canada. Furthermore, the Group continued to work on new evolved systems for Finance, product life cycle management, and digital management of the supply chain. In the commercial area, the adoption of Group systems in the customer relations and installer management areas was progressively extended to new countries and continuously developed to meet counterparts' expectations.

  Finally, the Group invested in cyber security and disaster recovery.

Lastly, investments for the right-of-use of third-party assets were related to tangible assets at 31 December 2022. The yearly addition totalled € 22.5 million and was attributable to offices, buildings, plants and machinery, and vehicles, compared to € 26.1 million in 2021.

4.9.8 Company and Group net profit and total equity

Regarding information on the Company Ariston Holding N.V.'s and the Group's net profit and equity, prepared in accordance with Part 9 of Book 2 of the Dutch Civil code and the International Financial Reporting Standards issued by the International Accounting Standards Board ('IASB') and endorsed by the European Union ('IFRS-EU'), please refer to the paragraph 'Equity' in the company's financial statements at 31 December 2022.

4.10 Full year 2022 conclusion and outlook

2022 was another positive year of robust growth for Ariston Group: the outstanding financial performance, increasing by 19.7% on 2021's record results with approximately 2.4 billion Euro of revenue and strong profitability, benefited from the combination of solid organic growth and the consolidation of Chromagen, the acquisition of which was finalized in January 2022. During another challenging year, when – while the impacts of the COVID-19 pandemic were still lingering – the outbreak of Ukrainian conflict triggered a series of disruptive events, the Group delivered a solid performance across all major target regions and business segments, with a special mention going to renewable heating solutions in Europe. Our supply chain, planning, and manufacturing base delivered outstanding support to our performance, despite the huge strains on supply chains and raw material inflation globally.

2022 marked, above all, a fundamental milestone in respect to Ariston Group's future development: the acquisition of CENTROTEC Climate Systems – the Group's biggest ever deal, announced in September 2022 – was a significant step in Ariston Group's sustainable heating, also increasing its ESG focus and consolidating its positioning in Europe.

Leveraging its global scale, its extensive portfolio of brands, solutions and services, its strong access to technology as well as its firm focus on sustainability – further enhanced by the acquisition – Ariston Group is well placed and in the best condition to continue to be among the leading players in the thermal comfort industry: a sector undergoing a deep transformation, which is expected to benefit from the ongoing energy transition process and the emissions reduction that Europe is targeting.

Hence, looking to 2023 and beyond, Ariston Group remains confident about both long-term demand trends in the industry, fuelled by the sustainability imperative, and its key distinctive competitive features.

Indeed, demand for heat pumps for heating in Europe is expected to grow at solid double-digit rates, especially in those markets where Ariston Group can count on a significant presence (i.e. DACH, Netherlands, Mediterranean countries). In parallel, although electrification remains the focus, Ariston Group will continue to pursue a multi-energy approach, to effectively tackle the sustainability challenge by leveraging different innovative technologies such as hydrogen, hybrid solutions, thermally-driven heat pumps and demand response, to favour energy efficiency and accelerate the energy transition by intercepting all building stock needs.

Furthermore, in addition to its excellent solutions for thermal comfort, Ariston Group's growth will also be sustained by its industrial back-end, which through a robust international manufacturing footprint has been able to ensure supply chain flexibility and customer proximity, and its local-go-to-market approach.

As 2023 coincides with the kick-off of the integration of CENTROTEC Climate Systems, Ariston Group will progressively benefit from the potential inherent in the quality and complementarity of the brand and product portfolios; from the organisational, technical, technological and human resources made available to the Group; as well as from the reinforced positioning of the Group in Central Europe.

4.11 Definition and reconciliation of the Alternative Performance Measures (APMs or non GAAP measures) to GAAP measures

In addition to the standard financial reporting formats and indicators required under IFRS, this document contains certain financial performance measures that are not defined in IFRS standards (non-GAAP measures).

These measures, which are described below, are used to analyse the Group's business performance in the 'Key Highlights' and 'Directors' Report' sections and comply with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority ('ESMA') in its communication ESMA/2015/1415.

The Alternative Performance Measures (APMs) listed below should be used to supplement the information required under IFRS, helping readers of annual financial statements better understand the Group's financial and economic performance. They are applied to Group planning and reporting, and some are used for incentive purposes.

Financial measures used to measure Group operating performance

Organic change: calculated by excluding both the impact of currency movement against the euro (expressed at monthly average exchange rates for the same period in the previous year) and the effects of business acquisitions and disposals.

In order to mitigate the effect of hyperinflationary economies, organic change for countries having to adopt the hyperinflationary methodology laid down in IFRS only includes the component attributable to volumes sold in relation to net sales, while the effects associated with hyperinflation, including price index variation and price increases, are treated as exchange rate effects.

Specifically:

- the exchange rate effects are calculated by converting the figures for the current period at the exchange rates applicable in the comparative period of the previous year. The exchange rate includes the effects associated with hyperinflationary economies;
- the results attributable to businesses acquired during the current year are excluded from organic change for 12 months from the date on which the transaction is closed;
- the results attributable to businesses acquired during the previous year are included in full in the figures for the previous year as from the closing date of the transaction, and are only included in the current period's organic change 12 months after their conclusion;
- the results from business disposals during the previous year are wholly excluded from the figures for that year and, therefore, from organic change;
- the results from business disposals during the current year are excluded from the figures for the previous year from their corresponding date of disposal or termination.

The percentage organic change is the ratio of the absolute value of the organic change, calculated as described above, to the absolute value of the measure in question for the previous period under comparison.

Adjustment on operating income (expense): relates to certain transactions or events identified by the Group as adjustment components for the operating result, such as:

- capital gains (losses) on the disposal of businesses/buildings;
- impairment on tangible and intangible assets;
- strategic multi-year restructuring and reorganization programme costs;
- ancillary expenses associated with acquisitions/disposals of businesses/buildings or companies;
- amortization of purchase price allocation from Merger & Acquisition activity.

These items are deducted from, or added to, the following measures: EBIT (Operating result), EBITDA, except the amortization of purchase price allocation from Merger & Acquisition activity, profit before tax, and the Group's net result for the period.
For a detailed reconciliation of the items that had an impact on the alternative performance measures referred to above in the current and comparison years, see the appendix at the end of this section.

EBIT (Operating profit): calculated as the difference between net revenue and income and operating expenses.

EBIT (Operating profit) adjusted: the operating result for the period net of the adjustment on operating income (expense) mentioned above.

EBITDA: EBIT (operating profit) before depreciation and amortization of intangible and tangible fixed assets and leased assets.

EBITDA adjusted: EBITDA as defined below, net of the adjustment on operating income (expense), less the amortization of purchase price allocation from Merger & Acquisition activity.

Tax adjustments: include the tax effects of transactions or events identified by the Group as components adjusting the taxation for the period related to events covering a single period or financial year, such as:

- tax effects of Adjustment on operating income (expense)
  positive/negative taxation effects associated with the adjustment on operating income (expense);
- reversal of non-recurring taxation effect
  non-recurring positive/(negative) taxation effects.

Group net profit adjusted: the result for the period attributable to the Group before adjustment on operating income (expense), before the relevant taxation effect and before other positive/negative tax adjustments for the period.

Basic and diluted earnings per share (basic/diluted EPS): basic/diluted earnings per share (EPS).

ROE (return on equity): the ratio of the net result to equity at the end of the period.

ROI adjusted: the ratio of EBIT (operating profit) adjusted to net capital employed at the end of the period (see the definition of net capital employed below).

ROI (return on investment): the ratio of EBIT (operating profit) for the period to net capital employed at the end of the period (see the definition of net capital employed below).

ROS adjusted: the ratio of EBIT (operating profit) adjusted to net revenue and income for the period.

ROS (return on sales): the ratio of EBIT (operating profit) to net revenue and income for the period.

Reclassified statement of financial position

The items included in the statement of financial position are defined below as the algebraic sum of specific items contained in the financial statements:

Net operating working capital, calculated as the algebraic sum of:

- trade receivables;
- inventories;
- trade payables.

Net fixed assets, calculated as the algebraic sum of:

- goodwill;
- intangible assets with a finite life;
- trademarks;
- right-of-use assets;
- property, plant and equipment.

Other non-current assets and liabilities, calculated as the algebraic sum of:

- investments in associates and joint ventures;
- deferred tax assets;
- other non-current assets;
- non-current tax receivables;
- deferred tax liabilities;
- non-current provisions for risks and charges;
- net employee defined benefit liabilities;
- other non-current liabilities;
- non-current tax payables.

Other current assets and liabilities, calculated as the algebraic sum of:
- other current assets;
- current tax receivables;
- assets held for sale;
- current tax payable;
- current provisions for risks and charges;
- other current liabilities.

Net capital employed, calculated as the algebraic sum of the items listed above and in particular:
- net operating working capital;
- net fixed assets;
- other non-current assets and liabilities;
- other current assets and liabilities.

Net financial indebtedness adjusted

Net financial indebtedness is calculated as the algebraic sum of:
- cash;
- cash equivalents including current financial assets;
- other current financial assets;
- current financial liabilities;
- current portion of non-current financial liabilities;
- non-current financial liabilities;
- non-current financing (debt instruments);
- non- current trade and other payables.

It considers escrow, positive MTM, and put and call liabilities.

Gearing: the ratio of equity to net capital employed.

Days Sales Outstanding: Trade receivables net of advances going back to absorb gross revenue without VAT.

Days Payables Outstanding: Costs and capital expenditure (Capex) going back to cover accounts payable.

Capital expenditure (CapEx): this item includes cash flows from the purchase of intangible and tangible fixed assets.

Reclassified statement of cash flows: This item shows cash flow generation, excluding investments in marketable securities. The total cash flow generated (or used) in the period thus corresponds to the change in net financial indebtedness adjusted.

Cash flows from Operating activities: It includes EBITDA, taxes paid, provisions, and other changes from operating activities and changes in net operating working capital.

Free cash flow: cash flow that measures the Group's self-financing capacity on the basis of cash flows from Operating activities, capital expenditure, IFRS16 lease payments, and other changes.

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Appendix of Alternative Performance Measures

In 2022, EBITDA, operating profit (EBIT), and Group Net profit were adjusted to take into account the items shown in the table below.

	2022	2021
Group Net profit	**140.3**	**136.5**
Adjustment on operating income (expense) [(1)]	**-28.9**	**-32.3**
Tax adjustments	**-6.3**	**-16.8**
- Tax effect of Adjustment on operating income (expense)	-6.3	-7.8
- Reversal of non-recurring taxation effect	0.0	-9.0
Group Net profit adjusted	**162.9**	**152.1**
EBITDA	**283.5**	**246.9**
Adjustment on operating income (expense) on EBITDA	-21.8	-29.9
EBITDA adjusted	305.3	276.8
EBIT	**193.7**	**171.2**
Adjustment on operating income (expense) on EBIT	-28.9	-32.3
EBIT adjusted	**222.6**	**203.4**

(1) For disclosure of Adjustment on operating income (expense), see the paragraph 'Reclassified income statement'

4.12 Investor information

Ariston Group has been listed on Euronext Milan, the Italian stock exchange, since 26 November 2021 with ticker symbol ARIS. Pursuant to applicable EU regulations, the Group's home member state is the Netherlands.
Therefore, regulated information is stored using the "1info SDIR" repository (www.1info.it) authorized by Italy's market authority CONSOB, as well as filed with the AFM (Dutch Authority for the Financial Markets).

The Group interacts with the financial community through both one-to-one and group meetings with investors, with the participation of the Investor Relations function - along with members of top management on select occasions - on digital platforms and in person.
In 2022 there were approximately 180 meetings with a total attendance of more than 400 investors.
The year ended with coverage from 8 sell-side brokers, compared to 7 at the end of 2021.

Total shareholders return for the year

In 2022 the worldwide supply chain disruptions and the surge in inflation, but also geopolitical events such as the war in Ukraine and the COVID lockdowns in China, contributed to some of the worst performances in recent history across the world's stock markets, and Italy was no exception.

An investment in Ariston Holding N.V., including reinvestment of the dividend paid in May 2022, had a total return of -3.8% for the entire year. This compares favourably with the performance of both Italy's mid-cap index (-18.5%) and the European Industrial Goods and Services index (-16.1%).

Dividend

The Board of Directors voted to propose a dividend of € 0.13 per share to the Shareholders' Meeting for the year 2022, gross of withholding taxes, representing a pay-out ratio of 34.38%.

The dividend will be paid on 24 May 2023 (with an ex-coupon date of 22 May 2023 in accordance with the Italian Stock Exchange calendar, and a record date of 23 May 2023). The Board of Directors resolved to convene the Annual General Meeting on 4 May 2023.

5. Governance

Effective risk management, integrated into the governance system, is a key factor in protecting the Group's value over time. The Group's Internal Control System has therefore been gradually developed, drawing inspiration from, among other sources, the principles laid down in Article 6 of the Italian Corporate Governance Code for Listed Companies approved by the Corporate Governance Committee in January 2020, to the extent applicable. On 2 January 2023 Ariston Holding N.V. signed a Share Purchase Agreement pursuant to which the Company acquired the entire issued share capital of CENTROTEC Climate Systems ("CENTROTEC Climate Systems") for cash and shares in the capital of the Company (the "Transaction"). The Transaction entails the in-kind contribution to the Company of the entire issued share capital of CENTROTEC Climate Systems in consideration of the issue by the Company of 41,416,667 ordinary shares in the capital of the Company to the Seller and a cash-out by the Company of € 703,000,000 (on a cash- and debt-free basis). As a consequence of the Transaction CENTROTEC Climate Systems became the second shareholder in the Company, with 11.12% of issued shares owned.

5.1 Risk management

5.1.1 Risk management framework

The Group, also for the purposes of the best practice provisions relating to internal risk management and control systems as set out in the Dutch Corporate Governance Code, adopts a Risk Management model that designs and includes suitable tools for identifying, measuring, managing and monitoring risks that could affect the achievement of strategic objectives. In this context, uncertainty and risk are defined as:

- Uncertainty: state of lack of information, understanding or knowledge;
- Risk: a possible event the occurrence of which can prevent the achievement of company objectives but which, if properly analysed and managed, can also generate an opportunity.

The model integrated into the business processes is in line with the five references of the COSO (Committee of Sponsoring Organisations of the Treadway Commission Report - Enterprise Risk Management model) principles (i.e. Governance & Culture, Strategy & objective setting, Performance, Review & revision and Information, communication & reporting).
Ariston Group has implemented a tool to identify, assess and monitor corporate risks. This tool is based on the Self-Risk Assessment approach, which provides for self-assessment and direct participation by operational management and/or other players responsible for risk assessment.
Risks are analysed, determining the likelihood of their occurrence and their impact, in order to establish their priority and how they should be managed.
The risks are thus assessed in terms of "inherent-risk" (risk in the absence of any intervention) and "residual-risk" (risk after the interventions to reduce it). Management selects the responses to risk (avoiding it, reducing it, sharing or accepting it) by developing interventions to align the risks found with the levels of tolerance and acceptable risk (risk appetite). The process is monitored, and modified where necessary, with interventions integrated into normal business operations or in separate and specific assessments and audits, which are eventually communicated to the organisation and to the relevant corporate bodies.

Furthermore, Ariston Group operates at three levels of internal control:

- First Level: identifying operating areas, evaluating and monitoring applicable risks in individual processes, and establishing specific actions for managing such risks. The structures responsible for the individual risks, for their identification, measurement and management, as well as for performing the necessary checks are included in this first level.
- Second Level: departments responsible for supporting management in setting policies and procedures, developing processes, and monitoring activities to manage risks and issues.
- Third Level: it provides independent and objective assurance of the adequacy and effective operation of the first and second levels of control and, in general, of the overall method for managing risks. This activity is carried out by the Internal Audit function, which operates independently.

Current or planned improvements in the Ariston Group's overall risk management system

The Group promotes the continuous improvement of risk management according to the evolution of strategies and information in the financial documents about both the main risks and uncertainties that occurred during the year and the impacts on the Group, as well as the objectives and policies with respect to instruments for the management of financial risks and for the assurance of economic results. We continued to engage the business in key risk areas, benchmark our processes with peer companies, and explore opportunities for improvement, in order to strengthen and improve ERM Governance, monitor risks in a more predictive way, and evaluate remediation plans.
Ariston Group will continue engaging the business in reviewing our management and monitoring activities for key risks throughout the Group in the upcoming year. As we continue to evolve our Group ERM program, we will strive to identify best practices and refine our processes to identify and escalate risk developments.

5.1.2 Risk appetite

The types of risks identified for the Group are classified as:

a) Strategic Risks:
    a. Risk that may derive from the pursuit of the business plan, from strategic changes in the business context, and/or from adverse strategic business decisions that could affect the Group's long-term positioning and performance;
    b. Risk Appetite: the Group considers itself ready to take risks in a responsible way that takes into account the interests of our stakeholders and is consistent with our business plan.
b) Operational Risks:
    a. Risks that may affect internal processes, people, systems, and/or external resources, hindering the Group's ability to pursue its strategy;
    b. Risk Appetite: the Group also pursues the goal of mitigating operational risks through projected cost/benefit assessments.
c) Compliance Risks:
    a. Risk of non-compliance with laws, regulations, local standards, the Code of Ethics, and internal policies and procedures;
    b. Risk Appetite: the Group believes, as do its employees, in acting with honesty, integrity and respect, including compliance with its Code of Ethics as well as the laws and regulations applicable wherever it operates.
d) Financial Risks:
    a. Risk relating to uncertainty of returns and potential financial losses due to financial performance; together with the risks concerning the reliability of the reported financial information;
    b. Risk Appetite: the Group takes a cautious approach to financial risks. Through debt capital market transactions, cash balances, and bank credit line agreements, it tries to maintain a debt / capital structure profile that allows investing in long-term objectives and rewarding stakeholders, as well as to represent the economic and financial information provided correctly.

The Risk management and internal control system comprises a structured process aimed at addressing individual risk categories, defining the main guidelines for risk appetite and the risk responses applied.

Risk category	Category description	Risk appetite	Risk response
Strategic	Risk that may derive from the **pursuit of the business plan**, from **strategic changes in the business context,** and / or from adverse **strategic business decisions** that could affect the Group's long-term positioning and performance.	The Group considers itself ready to **take risks in a responsible way that takes into account the interests of our stakeholders** and is consistent with our business plan.	Constantly **investing in research and development efforts**, which cover both **existing and newly applied technologies**, and constantly updating the Group's product line, accompanied by accessories and replacement parts. The Group has specialist functions with the ability to analyse current developments and has launched a **strategy of growth and geographical diversification**, with a particular focus on geographical areas with the highest growth rates and in which first installation and service business is the most common scenario.
Operational	Risk that may **affect internal processes, people, systems** and / or external resources, hindering the Group's ability to **pursue its strategy.**	The Group also pursues the goal of mitigating operational risks **through cost / benefit assessments**.	Goal of maximum **product quality and safety**, through the use of **specialist functions** charged with drafting and implementing structured, **standardized quality procedures and controls** that extend to suppliers, production lines, and the management of possible crises. The Group carefully selects and diversifies its suppliers: the number of alternative sources and the availability of potential substitutes, as far as possible, also reduces the risk of an **uncontrolled rise in prices** through suitable supply contract mechanisms to establish prices and by periodically fixing the price of raw materials.
Compliance	**Risk of non-compliance with laws**, regulations, local standards, the Code of Ethics, and internal policies and procedures.	The Group believes, like our employees, in **acting with honesty, integrity and respect**, including compliance with our Code of Ethics as well as laws and regulations applicable wherever we operate.	The **Certification & Regulation function** examines technical product standards and ensures production fully complies with the laws applicable in the various countries. The Group's **Italian facilities undergo the OHSAS 18001 certification** (safety), with the relevant external inspection and certification process. Specifically, during 2019 the Group adopted an additional specific procedure to protect the health and safety of employees working in foreign countries.
Financial	Risk relating to uncertainty of returns and potential **financial losses due to financial performance**, together with the risks concerning the **reliability of reported financial information**.	**Cautious approach to financial risks**. Through debt capital market transactions, cash balances and bank credit line agreements, the Group tries to **maintain a debt / capital structure profile** that allows investing in long-term objectives and rewarding stakeholders, as well as to represent the **economic and financial information provided correctly**.	The Group **manages all financial risks** of this nature through skilled functions and by continuously monitoring them, with **periodic mapping and reporting and with dedicated Committees** to define appropriate **mitigation actions**. The Group pursues the objective of continually improving the financial information it provides, reporting correct and complete information in line with **international accounting standards**.

The main risks to which the Group is exposed are detailed in the next paragraph. For more information on other financial risks, including credit risks, liquidity risks, and market risks, please refer to Ariston Group's consolidated financial statements.

5.1.3 Main risks and uncertainties to which the Group is exposed

The main risks and uncertainties to which the Group is exposed are reported below, classified according to the identified types. The order in which they are listed does not reflect their relevance in terms of either probability of occurrence or potential impact.
As Ariston Group, we face a variety of risks in our business. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we are unaware of, or that we currently believe to be immaterial, may also become important factors that affect us.

a) Strategic risks

The Group depends on its ability to develop and maintain product offerings that keep pace with changes in end-user demand and preferences.

The markets in which the Group competes are characterized by frequent new product launches and enhancements, shifting end-user preferences and demand, as well as changing industry standards and regulatory requirements. The Group's future success will depend on its ability to consistently address changes in end-user demand and develop and maintain product offerings that meet evolving customer preferences. The Group may not adequately adapt to changes in end-user demand and preferences, and it may fail to adapt its product offerings in a timely manner. End-user preferences and demand may change faster than the Group is able to adapt its product offerings, or there may be a sudden increase or decrease in demand, causing the Group to have either insufficient or excessive inventory levels or an inadequate mix of available products.
In order to compete successfully, the Group must proactively address changes in demand and end-user preferences in its research and development, its inventory levels, and the mix of its product offerings. The described risk showed a high/medium impact also in the last year on financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on evolving its product range and offering innovative products compliant with regulatory and sustainability requirements. Ariston Group leverages its in-depth knowledge of the markets in order to tailor its propositions to local market needs and act locally mainly for Heat-Pump Premium Range acceleration and for all technological and product roadmap development.

The Group depends on its ability to maintain the quality of its products and processes and to develop and manufacture new products.

Many of the Group's products are highly technical, and its markets are characterized by changing technology and technical standards. Consequently, one of the determining factors in a customer's purchase decision is the quality of the Group's product offerings and manufacturing processes. In order to remain competitive in the markets in which it operates, the Group must develop high-quality products that feature the latest technological advancements and must be able to successfully integrate new technologies into its existing product offerings. The development, manufacturing and selling of new technologies will often make existing ones outdated, which may lead in turn to a partial or total loss on the investments made. The main focus of the Group's research and development is to improve processes and support the Group's ongoing development of high-efficiency and renewable products and solutions. Those activities are subject to various risks and uncertainties the Group is not able to control, including changes in customer demand, industry standards or regulatory requirements, and the introduction of new or superior technologies by others.
The described risk showed a high/medium impact also in the last year on financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on the enforcement of testing and quality control procedures in both product development and manufacturing as strategic imperatives. Furthermore, our key suppliers are certified, and the quality of the material received is regularly monitored to ensure that it meets the rigorous quality standards that our products require. Ariston Group is driving its understanding of customer needs by improving processes and tools in order to deliver integrated value propositions.

The Group is exposed to local business risks in many different countries.

The Group's growth strategy focuses on continuing to expand within the Group's existing geographical markets, as well as entering new markets. The Group's success as a multinational business depends upon its ability to anticipate and effectively manage different legal, political, social and regulatory requirements, economic conditions, and unforeseeable developments. The Group may not be able to succeed in developing and implementing policies and strategies that will

be effective in each location where it does business. In addition, the Group operates in emerging markets, where these risks may be high, some of which, such as political and economic instability, few legal protections, and corruption, can create a difficult business environment. In addition, in some of the countries in which the Group operates, businesses are exposed to a heightened risk of loss due to fraud and criminal activity.
Moreover, in the last year the ongoing Russia-Ukraine conflict and related escalating geopolitical tensions continue to generate further volatility and uncertainty, alongside the risks of disruption in European gas imports.
The described risk showed a high/medium impact on financial and economic results. In general, the Group's response actions that had a risk mitigation effect were mainly focused on continuously monitoring the geographical markets in which it operates, in order to anticipate and minimize any vulnerabilities and to adopt prudent measures to mitigate risks, such as, for example, broadening the product portfolio and strengthening geographical diversification.
Referring to the Russia-Ukraine crisis, the Group mitigated effects on the Russian market by rethinking the local commercial policies focusing on local currency and market profitability and for the Ukraine market, the priority has been ensuring the safety and security of Ukraine employees by providing them support, including financial and accommodation assistance. On the business side, after an initial depreciation of local inventory and account receivables assets, a slow recovery in activity focused on product availability and safe liquidity management is underway.

Demand for the Group's products partially depends on the continued market trend toward greater sustainability and related government subsidies and other consumer incentives.

The Group's business is partially impacted by public policy incentives toward greater green sustainability, with reference, in particular, to regulations or government programs aimed at requiring and/or incentivizing customers to upgrade their hot water products. The present and projected demand for the Group's products is indeed partially driven by the need to address the market trends deriving from such public policy incentives. These current and expected trends could change due to a number of factors that are outside of the Group's control, including the modification or elimination of economic incentives encouraging upgrades of hot water products or the relaxation of regulatory requirements relating to greenhouse gas emissions.
The described risk showed a high impact also in the last year on the financial and economic results. The Group's response actions that had a risk mitigation effect mainly consisted in monitoring the relevant political and macroeconomic issues in terms of risks and opportunities, country price increase policy monitoring, stepping up efforts to achieve the strongest possible "Quality & Sustainability Brand Awareness" by establishing testing protocols focused on forced failure to identify product weaknesses. At the same time, Ariston Group is aligning the organisation with market conditions by monitoring and ensuring its agility so as to align resources and costs with the level of business demand.

The Group is exposed to risks relating to acquisitions and divestments.

The Group's growth strategy partly involves growing through acquisitions, including those already planned for the near future. However, there is a risk that the Group will not be able to identify suitable acquisition targets or successfully complete strategic acquisitions, for example due to competition from other potential buyers or difficulties experienced in executing such acquisitions. This may lead to slower or reduced growth for the Group. Growth through acquisitions also involves the risk of not being able to successfully integrate newly acquired businesses, their management and their employees.
The Group may also incur significant acquisition and related expenses, including expenses for restructuring the acquired business. In addition, the Group may face unexpected delays in completing, or may not be able to complete at all, any future acquisitions or investments due to a failure to obtain the required regulatory approvals or other reasons, including actual or threatened litigation, political opposition, and failure to obtain adequate debt or equity funding. Furthermore, the synergies that the Group expects to generate from the integration of an acquired business may be lower than expected or take longer to materialize than estimated. Any of these circumstances may have a material adverse effect on the Group's business, results of operations, financial position, and prospects.
The described risk showed a high impact on the financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on strengthening its acquisition allocation strategy and M&A roadmap. The Company has strict strategic and financial criteria for acquiring new businesses. Moreover, Ariston Group's investment decisions are selective and focused on businesses with a proven track record for risks and understanding of potential synergies. The Company conducts broad-based due diligence of acquisitions with a clear understanding of SWOT analysis and red-flags of target companies, using internal expertise and top external due diligence and legal professionals and for

the integration process, the Company defines dedicated teams to align strategies and processes for a faster achievement of objectives and synergies.

b) Operational risks

The Group depends on certain key raw materials and components to manufacture its products, including some for which only a limited number of suppliers exist; any shortages in such materials, increases in their prices or lack of renewal of supplier contracts would adversely impact the Group's sales and profit margins.

The Group is exposed to risks relating to the availability, quality, and cost of raw materials, component parts, and specific finished products. In particular, the Group and the sub-contractors from which it buys component parts rely on various raw materials for their products, such as steel, polyurethane, non-ferrous metals such as copper, nickel and aluminium, as well as precious metals, such as silver, and electronic boards alongside the risks of disruption in European gas imports. The market price and availability of the materials and utilities that are used for the Group's operations can fluctuate sharply depending on market conditions, inflation, technological evolution, and legislative changes. A shortage of raw materials, components or lastly energy sources could also arise from decreases in extraction and production due to local natural disasters or political instability, or disruptive global events such as the COVID-19 pandemic. Furthermore, the Group is exposed to risks relating to a potential supplier shortage. The Group relies for some components on a single source or a limited number of suppliers. The Group does not consider itself to be materially dependent on any supplier, as it has systems in place to replace each supplier without material disruption to its operations and has identified potential substitutes for when they may be needed. Any shortage in, or material and utilities price increase of, the Group's key raw materials or any disruption in its supply chain could have a material adverse effect on the Group's business, results of operations, financial position, and prospects.
The described risk showed a high impact also in the last year on the financial and economic results, lastly mainly for gas shortages and pricing. The Group's response actions that had a risk mitigation effect were mainly focused on hedging price policies and temporary gas stocking point price, developing a backup sourcing plan for the most critical items, using some KPIs presented during the procurement review. Furthermore, the Group established a bi-monthly steering committee with the CEO to review the main critical issues and the action plan from both a supply and planning perspective, and a weekly routine between procurement and operations globally to review each critical issue for each plant.

The Group is subject to the risk of interruption to its production, development processes, supply chain and distribution network, as well as inherent health and environmental risks for its employees.

The Group has a large number of production sites at which products are developed and assembled, thus posing specific health and safety risks. Accidents at manufacturing sites, which involve the use of hazardous substances, or environmental incidents, could lead to employee injuries or deaths, or environmental and property damage, which could permanently damage the Group's reputation in public opinion, even if the Group was not actually responsible for causing such damage and no fault on the Group's part has been proven. Such incidents could lead to substantial financial liabilities and could affect the demand for the Group's products and services and have adverse financial consequences.
The Group may also be subject to interruptions to its supply chain due to a disruption of its relationship with suppliers or sub-contractors, or due to disruptions of the operations of the suppliers themselves. If any of the Group's key suppliers or sub-contractors is subject to a major disruption in its production to meet its obligations under its existing agreements with the Group, the latter may be unable to obtain the necessary materials or component parts for its operations. The occurrence of any accidents or operational disruptions in the Group's production and manufacturing processes could increase the Group's operating costs and may impact its ability to sell its products, which would cause revenue to decrease, with a material adverse effect on the Group's business, results of operations, financial position, and prospects.
The described risk showed a medium impact on the financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on implementing and improving preventative actions by strengthening the ability to manage crises and incidents, a coaching program in order to reinforce know-how, capabilities and competencies, according to Health & Safety Policies and other regulations; on guaranteeing Supply Continuity and New Product Phase-in, by scouting alternative suppliers; and on avoiding the slowdown of some markets, by pursuing geographical diversification. Investments have been made in the digitalization of the supply chain to define more effective processes, organisation and platform solutions.

The Group's success is highly dependent on its ability to retain the services of the members of its senior management team and recruit and retain technical and other skilled personnel.

The Group depends to a significant degree on a number of key employees, both in the Group's management and its operations, who have specialized skills and extensive experience in their respective fields, including in the Group's core business of heating and hot water solutions, or in emerging spheres, such as digital solutions relating to the connected products sphere. This applies both to employees in the Group's supply chain operations and its corporate department. The Group's senior management team has extensive industry experience and the Group's success depends in part upon the continued contributions of the members of that team.

The Group believes that the growth and success of its business will depend on its ability to attract highly skilled and qualified employees with specialized know-how in the heating and hot water industry. The profile of technical personnel serving customers is also changing with the transition from fossil energy to renewable energy, creating a new risk to be mitigated.

The described risk showed a high/medium impact on the financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on strengthening talent and development programs and retention plans for key resources by introducing specific recruiting programs in order to build a strong talent pipeline, providing internal training in order to ensure development and retention and reviewing compensation packages and individual development plans in order to stabilize growth.

Moreover, training to educate the external Service Technicians network on renewable products/energy has been conducted (i.e. service academy, meetings, etc.), and the Group has implemented an e-learning platform for its own technicians in DACH (mainly in Germany and Switzerland) countries.

The Group depends on the efficient and uninterrupted operation of its information and communication technology and its ability to successfully manage increasing cybersecurity risks.

The operation of the Group's production facilities as well as sales, marketing and service activities depend on the efficient and uninterrupted operation of complex and sophisticated computer, telecommunication and data processing systems. In particular, the Group's call centre for after sales follow-up with regards to logistics, delivery and invoices is reliant on information and communication technology. Computer and data processing systems and related infrastructure (data centres, hardware, and wide and local area networks) are generally exposed to the risk of disturbances, damage, electricity failures, computer viruses, fire, other disasters, hacking, and similar events.

The Group's manufacturing and supply chain infrastructure is also managed through a virtual connected system. Any security breach could therefore also materially disrupt the Group's operations. Disruptions to or interruptions in operations could also lead to production downtime which, in turn, could result in lost revenues and have a material adverse effect on the Group's business, results from operations, financial position, and outlook. The Group is also exposed to direct hacking or ransomware aimed at the IT systems of its senior leadership which, if successful, may result in an information leak or reputational issues.

The described risk could have had a high impact also in the last year on the financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on protecting the Group from external threats by actively avoiding new threats and taking active steps to mitigate IT and cybersecurity threats, by moving from a reactive to a proactive approach (i.e. machine behaviour monitoring and analysis to actively avoid new threats, enhance visibility of devices connected to the Ariston Network and continuous monitoring and analysis of existing firewalls), also by taking planned actions, granting some communication security measures and preventing data loss, and moreover by other actions, such as monitoring externally available information about the company. Ariston Group is also focused on guaranteeing Service continuity by planning a Disaster Recovery feasibility study.

The global coronavirus (COVID-19) pandemic, or other global public health pandemics, may have an adverse effect on the Group's business, results of operations, and financial position.

The Group's business, results of operations and financial position may be adversely affected if a global public health pandemic, including the current COVID-19 pandemic, interferes with the ability of the Group's employees, suppliers and customers to perform the Group's and their respective responsibilities and obligations relative to the conduct of the Group's business and operations.

The described risk showed a low impact in the last year on the financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on preserving business continuity by implementing several actions in line with the advice provided by the WHO (World Health Organisation) and the public health measures imposed in the countries in which the Group operates in order to contain the spread of the COVID-19 virus in the workplace, such as smart working, definition of protocols to contain the spread of the Covid-19 virus in the workplace, guidelines on ventilation and air-conditioning systems management, Rapid Diagnostic Test (RDT) campaigns, in order to safeguard the health and safety of employees.

c) Compliance Risks

Changes to government regulations that could require the Group to modify its current business practices, incur increased costs, and subject it to potential liabilities that could have a material and adverse effect on the Group's business, financial position, or results of operations.

The Group operates in several countries and must comply with an extensive range of statutes, laws and regulations pertaining to consumer protection, product safety, quality and liability, health and safety, the environment, fire prevention, planning, landlord/tenant relationships, competition, advertising, taxes, data protection, employment practices (including pensions), anti-money laundering, anti-bribery and anti-corruption, and other laws and regulations which apply to retailers generally and/or govern the import, promotion and sale of products and the operation of retail stores and distribution centres.
If any of these statutes, laws or regulations were to change, the Group is unable to predict the ultimate cost of complying with these requirements or their effect on its operations. In particular, any change to consumer protection and/or product liability and health safety and/or environmental regulations could also reduce the rate at which the Group can develop and produce new products and services.
The Group may be required to incur significant expenditure or modify its business practices in order to comply with amendments to existing laws and regulations and/or with future laws and regulations, which may increase its costs, limit its ability to operate its business, and require investments in the research and development of new products or modifications of existing products.
The described risk showed a medium impact on the financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on regularly reviewing its strategy in light of legislative and regulatory changes in order to ensure compliance.

Changes in the industry regulations or standards could adversely affect the Group's business.

The Group's products are subject to a wide variety of statutory, regulatory and industry standards and requirements related to, among other things, energy and water efficiency, environmental emissions, labelling, and safety. While the Group believes its products and manufacturing processes are currently efficient, safe and environmentally friendly, national and local governments are adopting laws, regulations and codes that may require a transition to non-fossil fuel based sources of energy production.
A significant shift or change in applicable laws, regulations and industry standards could lead to greater regulatory oversight or restrictions and changes to manufacturing processes and products, increase compliance and manufacturing costs, impact the size and timing of demand for the Group's products, and affect the types of products the Group is able to offer and their cost, any of which could harm the Group's business and have a material adverse effect on the Group's financial position, results of operations, and prospects.
The described risk showed a medium-high impact on the financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on maintaining the Group’s leadership by strengthening its readiness and proactivity to take advantage of market opportunities and face regulatory changes. The Group monitors legislative developments and regulatory changes, including trade restrictions, to assess the potential impact on its businesses and for a more sustainable product transition as well as a more significant evolution of product standards. Furthermore, Ariston Group is committed to delivering top-quality products focusing on a more energy-efficient range, services and solutions compliant with all applicable laws and standards by investing in Quality Management Systems.

The Group could be liable for environmental law violations, regardless of whether it caused such violations.

The Group could be liable for fines, damages, or remedial costs for non-compliance with environmental laws and regulations in the jurisdictions in which it operates and where its properties and premises are located. These laws and regulations generally govern wastewater discharge, air emissions, public nuisance, the operation and removal of underground and above-ground storage tanks, the use, conservation and protection of soil, the use, storage, treatment, transportation and disposal of solid hazardous materials, the remediation of contaminated property associated with the disposal of solid

and hazardous materials and other health and safety-related concerns. Some of these laws and regulations may impose joint and several liabilities on tenants, owners or managers for the costs of the investigation or remediation of contaminated properties, regardless of fault or the legality of the original arrangements.
The described risk showed a medium impact on the financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on maintaining the Group's compliance with regulatory changes and a dedicated HSE Management System and a properly focused organisation in accordance with the requirements of ISO standards.

A failure to comply with data protection and privacy laws could harm the Group's reputation and give rise to fines.

The Group is subject to broad regulations regarding the use of personal data. The Group collects and processes personal data (including name, address, age, bank and credit card details, and other personal data) from its employees, customers and business partners as part of its operations, and therefore it must comply with applicable data protection and privacy laws. These laws generally impose certain requirements on the Group in respect of the collection, retention, use and processing of such personal information. Failure to implement effective data collection controls could potentially lead to regulatory censure, fines, and reputational and financial costs.
The Group seeks to ensure that procedures are in place to enforce compliance with relevant data protection regulations by its employees and any third-party suppliers and service providers, and also to implement security measures to help prevent cyber-theft. Notwithstanding such efforts, the Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of applicable data protection laws. In particular, the Group is subject to the General Data Protection Regulation (EU) 2019/679 (GDPR), which has been in effect since 25 May 2018.
The described risk showed a low impact on the financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on moving from a reactive to a proactive approach. Our legal and regulatory specialists are heavily involved in monitoring and reviewing our practices in order to provide reasonable assurance that we remain aware of, and in line with, all relevant laws and legal obligations, including also GDPR developments and compliance.

The Group may be unable to sufficiently protect the health and safety of its employees, in particular those located in its manufacturing facilities.

The Group's employees can be exposed to different hazards in the workplace, in particular chemical, ergonomic and physical hazards. These can cause harm or adverse effects which may take the form of work-related accidents and illnesses.
Although the Group takes all measures required under applicable laws and regulations to monitor and manage such risks as effectively as possible, and conducts a systematic assessment aimed at eliminating hazards and reducing their specific risks, it cannot guarantee that all such risks have been entirely eliminated, or that accidents in its facilities will not occur. The occurrence of workplace-related accidents or illnesses could entail interruptions or delays in production, with immediate effects on the Group's ability to supply its products, and may expose the Group to lawsuits, reputational damage, and increased costs and liabilities, which in turn could have a material adverse effect on the Group's business, results of operations, reputation, financial position, and prospects.
The described risk showed a medium impact on the financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on implementing the Group's protocols and procedures in order to make the workplace a safe working environment in accordance with the requirements of ISO standards. The Ariston Group's HSE Function has performed Context Analyses to determine external and internal issues and has defined the Roles and Responsibilities of resources in order to guarantee interactions between Corporate and local structures, conducted risk assessments in order to ensure emergency preparedness, conducted environmental impact assessments, defined a process that can pre-emptively intercept and manage any issues related to change management activities, defined a process to ensure that all applicable legal and regulatory requirements are identified and continuously updated, established a coaching program in order to reinforce know-how, and conducted periodical HSE internal audits & reviews.

The Group is subject to taxation in multiple jurisdictions which often requires subjective interpretation and determinations and could expand into jurisdictions with less favorable tax regimes. As a result, the Group could be subject to additional tax risks attributable to previous assessment periods or be subject to a higher effective tax rate in the future.

The Group is subject to many different forms of taxation including, but not limited to, corporation tax, withholding tax, value added tax, property tax, and social security and other payroll related taxes, and has obligations to file tax returns and pay tax across several different jurisdictions. Tax law and administration is complex and often requires subjective interpretation and determinations. Although the Group considers itself in compliance with all relevant obligations, there is a risk that it may inadvertently fail to comply with applicable laws and regulations in any jurisdiction in which it does business. Additionally, tax authorities may not agree with the determinations that are made by the Group with respect to the application of tax law, leading to potentially lengthy and costly disputes which could potentially result in the payment of substantial amounts for tax, interest and penalties.

Tax laws and regulations are also complex and subject to varying interpretations, and the Company is subject to regular review and audit by tax authorities in jurisdictions around the world. Any adverse outcome of such a review or audit could have a negative impact on the Company's effective tax rate, tax payments, financial position, or results of operations. In addition, the determination of the Company's income tax provision and other tax liabilities requires significant judgement, and there are many transactions and calculations, including in respect of intragroup transactions, where the ultimate tax determination is uncertain. Although the Company believes that its estimates are reasonable, the ultimate tax determination may differ from the amounts recorded in the Company's financial statements and may materially affect the Company's results of operations in the period, or periods, for which such determination is made.

The described risk showed a medium impact on the financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on complying with applicable laws and regulations in every jurisdiction. The Group's Tax department is in charge of establishing, maintaining and overseeing Tax policy, also through a "Tax Risk Control Framework" with the implementation of a Tax Risk Control Matrix for fiscal risk monitoring, with Transfer Pricing model management and with the implementation of specific fiscal guidelines for tax issues. All potential risks and opportunities are continuously monitored and carefully dealt with by tax specialists from the main relevant areas.

d) Financial risks

Currency exchange rate fluctuations may have a significant impact on the Group's reported revenue, cash flows and earnings.

The Group operates globally, holding assets, earning revenues, incurring liabilities, and paying expenses in various currencies other than the euro. The Group encounters currency transaction risk whenever one of its subsidiaries enters into a transaction using a currency other than its operating currency. The Group incurs the majority of its expenses in euro, while earning a significant portion of its revenues in currencies other than the euro.

In addition to transaction currency risk, changes in exchange rates affect the translation into euro of the revenues, costs, assets, and liabilities of subsidiaries that use a currency other than the euro as their functional currency. A depreciation of other currencies against the euro will mean that, despite constant sales volumes and nominally constant prices, the Group will, after translation into euro, generate lower revenue and profits for the purposes of the Group's consolidated or combined financial statements. A number of the Group's subsidiaries report their results in currencies other than the euro, which requires the Group to convert the relevant items into euro when preparing its consolidated financial statements. Any increase (or decrease) in the value of the euro against any foreign currency that is the functional currency of any of the Group's operating subsidiaries will cause the Group to experience foreign currency translation losses or gains, as the case may be. In addition, changes in the exchange rate of foreign currencies may negatively influence the Group's sales volumes as well as its profit margins.

The described risk showed a high impact also in the last year on the financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on reducing losses and the volatility of potential effects by monitoring foreign exchange exposures, strengthening hedges, and continuously updating policies. Whenever possible, the company tries to do this by creating natural hedges, matching the currency profile of income and expenses and of assets and liabilities.

The Group is exposed to credit risk in respect of its outstanding trade receivables.

Payment terms, in particular due dates for payments by the Group's customers, vary depending on the type of transaction and business division. The Group records revenue and the corresponding trade receivables when products are delivered to customers, and, with respect to certain products, when customer acceptance occurs following delivery. Payments received prior to product delivery, or customer acceptance, as applicable, are generally recorded as unearned revenue.
The Group may experience low trade receivables turnover and payment delays by certain customers. The significant periods of time the Group's trade receivables remain outstanding as a result may negatively impact the Group's cash flow and liquidity and in turn affect the Group's business, results of operations, financial position, and prospects.
The described risk showed a medium impact on the financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on reducing the Group's exposure by keeping track of actual cash flows on a short- and long-term basis, including regular reviews of liquidity. Furthermore, dedicated credit managers and specialists support the business by assessing customers' ability to pay their receivables and by defining their risk profile, recommending appropriate levels of exposure.

In carrying out its business, the Group is also exposed to various financial risks or risks similar to credit, liquidity and market risks for foreign exchange rates, commodity prices and interest rates.

In carrying out its business, the Group is exposed to financial risks associated with its operations, in particular to credit risk, liquidity risk and market risk for foreign exchange rates, fluctuations in commodity prices, and interest rates (a dedicated section is presented in this financial statement).
The Group manages all risks of this nature through skilled functions and continuous supervision, regularly mapping and reporting such risks and working with dedicated committees to define appropriate mitigation actions.
The described risk showed a high/medium impact also in the last year on the financial and economic results. The Group's response actions that had a risk mitigation effect were mainly focused on constantly monitoring the main financial risks, in particular by maintaining an adequate level of liquidity to meet the Group's potential needs for financial obligations and investments. Liquidity is monitored by the Group's Treasury department (i.e. Liquidity Ratio KPI implementation), which tracks actual cash flows on both a short- and long-term basis.

5.1.4 Code of Ethics

The Group has adopted a Code of Ethics, which is posted on our website. The Code of Ethics represents a set of values recognised, upheld, and promoted by the Group, which understands that conduct based on the principles of diligence, integrity, and fairness is an important driver of social and economic development.
The Code of Ethics applies to the directors and all employees of the Company and its subsidiaries, as well as other individuals or companies that act in the name and on behalf of the Company or its subsidiaries.
The Group promotes the adoption of the Code of Ethics as a best practice standard of business conduct by partners, suppliers, consultants, agents, dealers, and others with whom it has a long-term relationship. In fact, the Group's contracts around the world include specific clauses relating to the recognition and upholding of the principles underlying the Code of Ethics and related guidelines, as well as compliance with local regulations, particularly those related to corruption, money-laundering, terrorism, and other crimes giving rise to liability for legal persons.
The Group closely monitors the effectiveness of, and compliance with, the Code of Ethics in accordance with whistleblowing management procedures and checks that form part of standard operating procedures.

5.2 Non-Financial Disclosure

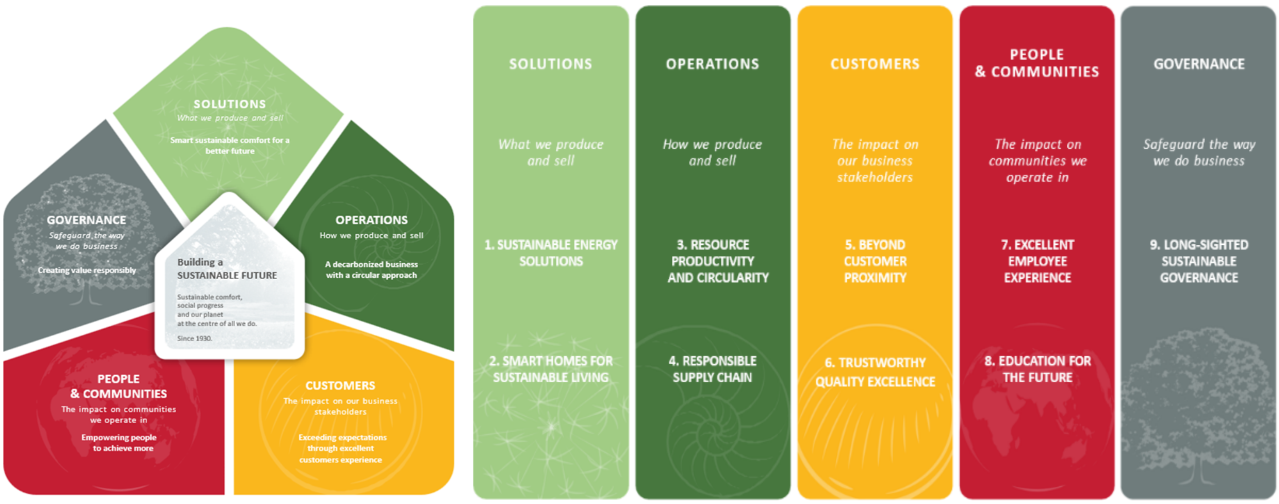
This section addresses the requirements of the Dutch Civil Code, and of the Dutch Decree on Non-Financial Information (*Besluit bekendmaking niet-financiële informatie*), which is a transposition of Directive 2014/95/EU 'Disclosure of non-financial and diversity information' into Dutch law.

Road to 100: a new ESG Strategic Plan to 2030

2022 marks the end of the first phase of Ariston Group's sustainable journey. A new vision has therefore been developed with the purpose of leading the company towards 2030 through a clear roadmap, pivotal to support Ariston Group in the achievement of its strategic ESG objectives. As a leading actor in sustainable development, the Company is aware that sustainability means a long-term vision and objectives, which can be achieved only through a solid path of intermediate actions and initiatives. This is the reason why the 2030 ESG Roadmap sets out a structured plan built on short- and medium-term targets which will eventually lead the Company to the achievement of its ultimate 2030 goals. Yet, a question arises: how did we get here?

The ESG vision was made possible through an engagement process acting on three different levels. Firstly, the Group's key stakeholders were engaged to help renew the Company's materiality analysis, a process already active since 2017. From the identification of potentially relevant topics, following a thorough context analysis, a shortlist of 9 material topics of most relevance to the business and its stakeholders was created. The relevance of the topics was assessed on the basis of their economic, environmental and social impacts.

On the basis of the nine material topics, the definition of a forward-looking and strategic ESG plan started taking shape. It began with an in-depth market benchmarking and analysis of the ESG pressures arising from relevant policies and trends, which enabled the identification of the main challenges and opportunities related to each material topic. Once these latter were outlined, the Group's top management embarked upon an envisioning phase to draw out the key engagement areas the Company could focus its endeavours on. Such engagements eventually mirrored the key challenges the Company was going to tackle in the near and longer-term. As a result, 5 engagement areas were carved out. Finally, managers were called to help define, through SWOT analyses and a path of progressive convergence, clear-cut objectives and supporting initiatives for each material topic. The process hence involved all the Corporate and some local functions across the business, giving voice to more than 50 people. As a result, the Group's plan came into existence thanks to a comprehensive engagement of internal and external stakeholders to align the business' ambitions to contextual challenges.



The 5 engagement areas which define the key pillars on which Ariston Group has set its ESG strategy include solutions, operations, customers, people & communities and, finally, sustainable governance. These areas are in turn divided into the 9 material topics.

Introduction to EU Taxonomy

On 18 June 2020, the European Parliament adopted EU Regulation 2020/852 or the *Taxonomy Regulation*, which represents a European response to the current climate and environmental challenges. It contributes to the objectives of the European Green Deal by establishing a first classification system for sustainable economic activities thus aiming to increase transparency and consistency in the classification of such activities and limiting the risk of greenwashing and fragmentation in relevant markets.
The Regulation sets out the criteria for determining whether an economic activity can be considered environmentally sustainable.

The Taxonomy Regulation has established six environmental objectives:
1. Climate change mitigation (CCM);
2. Climate change adaptation (CCA);
3. The sustainable use and protection of water and marine resources;
4. The transition to a circular economy;
5. Pollution prevention and control;
6. The protection and restoration of biodiversity and ecosystems.

In compliance with Article 8 of the Delegated Act released on 4 June 2021, for this second year of application, companies are required to check whether their economic activities could be considered “aligned” to the European Taxonomy or not. The process to define whether an economic activity should be considered as environmentally sustainable expects the following steps to be completed:

1. Determination of EU Taxonomy eligibility: Verify that the identified economic activities are in accordance with the description in the EU Taxonomy Delegated Act.
2. Determination of EU Taxonomy alignment with technical screening criteria (substantial contribution): Verify that the activity makes a substantial contribution to at least one of the six EU Taxonomy environmental objectives.
3. Determination of EU Taxonomy alignment with Do No Significant Harm (DNSH) criteria: Verify that the activity avoids negative effects on the other five EU Taxonomy environmental objectives.
4. Determination of EU Taxonomy alignment with Minimum Safeguards criteria: Verify that the activity respects Minimum Social Safeguards (e.g., OECD Guidelines and UN Guiding Principles on Business and Human Rights).

The Delegated Act identifies the economic activities that are eligible for an environmental objective and the performance criteria to be verified so that each economic activity makes a substantial contribution and does not significantly harm any of the other environmental objectives. Currently the Commission has adopted the delegated acts relating to the objectives of climate change mitigation and climate change adaptation.

Article 8 of the Taxonomy Regulation provides that certain large undertakings which are required to publish Non-Financial Disclosures (NFD) should disclose information on how and to what extent their activities are associated with environmentally sustainable economic activities as defined under the EU Taxonomy legislation. Non-financial undertakings shall disclose the key performance indicators (‘KPIs’) related to turnover, capital expenditure (‘CapEx’) and operational expenditure (‘OpEx’) related to assets or processes associated with economic activities that qualify as *Taxonomy-aligned.*

The Group’s contribution to the climate objectives

Ariston Group, as a leader in the global thermal comfort market for domestic, commercial and industrial spaces, offers an extensive range of products and services. Along with its products, the Group offers specific services for the installation and maintenance of heating and cooling systems. Its activities can be broken down into three main sectors:

- **Burners**
- **Components**
- **Thermal comfort**, which can be classified into water heating products (i.e. heat pumps, solar, electric storage & electric instant water heaters, gas storage & gas instant water heaters, cylinders, etc.) and space heating products (i.e. boilers, heat pumps, hybrid systems, air conditioning, thermostats, direct services & parts).

To identify potential "Taxonomy-Eligible" activities, the Group has evaluated the criteria outlined in the Climate Delegated Act for both the objectives (CCM and CCA). The eligible activities of the Group are associated with the **manufacturing of energy efficiency equipment for buildings (3.5), with the installation, repair and maintenance of energy efficiency equipment (7.3), devices for measuring, regulating and controlling energy performance of buildings (7.5) and renewable energy technologies (7.6)** as summarized in the table below:

Activity's number	Activity	Description of activity
3.5	Manufacture of energy efficiency equipment for buildings	Manufacturing of: • Water heaters • Boilers • Heat pumps • Air conditioners • Solar thermal • Thermostats • Connectivity
7.3	Installation, maintenance and repair of energy efficiency equipment	Individual renovation measures consisting in installation, maintenance or repair of air conditioners, boilers, water heaters
7.5	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	Installation, maintenance and repair of thermostats and connectivity for measuring, regulation and controlling energy performance of buildings
7.6	Installation, maintenance and repair of renewable energy technologies	Installation, maintenance, and repair of heat pumps and relevant "after-services" activities.

Compared to last year, following a clarification that took place through the European Commission 's Q&A in December 2022 and an in-depth study of TSC requirements, the Group considered activity 7.6 ("*Installation, maintenance and repair of renewable energy technologies"*) to be more applicable to the Ariston business model rather than activity 4.16 ("*Installation and operation of electric heat pumps*"). Indeed, activity 4.16 covers the installation and operation of types of electric heat pumps which are not installed on site as technical building systems (e.g. industrial heat pumps) and is not representative of Ariston Group's operations. Therefore, the KPIs have been calculated only for activity 7.6.

All the economic activities identified are eligible for both objectives. However, in the calculation methodology, to avoid double counting, key figures refer only to the Climate Mitigation objective (CCM).

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities (1)	Code(s) (2)	Absolute net revenue (3)	Proportion of net revenue (4)	Climate change mitigation (5)	Climate changeadaptation (6)	Water and marine resources(7)	Circular economy(8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources(13)	Circular economy(14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of net revenue, year N 18)	Taxonomy-aligned proportion of net revenue, year N-1 (19)	Category (enabling activity or) (20)	Category (transitional activity) (21)
		EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacturing of energy efficiency equipment for buildings	3.5	1.387.655.981	58,33%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	89%	N/A	E	N/A
Installation, maintenance and repair of energy efficiency equipment	7.3	155.443.391	6,53%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	10%	N/A	E	N/A
Installation, maintenance and repair of renewable energy technologies	7.6	20.821.892	0,88%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	1%	N/A	E	N/A
Net revenue of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**1.563.921.265**	**66%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**100%**	**N/A**	**E**	**N/A**
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Net revenue of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	**0%**																	
Total (A.1+A.2)		1.563.921.265	**66%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Net revenue of Taxonomy-non-eligible activities (B)		814.901.356	**34%**																	
Total (A + B)		2.378.822.621	**100%**																	

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy(8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate changemitigation (11)	Climate change adaptation (12)	Water and marine resources(13)	Circular economy(14)	Pollution (15)	Biodiversity andecosystems (16)	Minimum safeguards(17)	Taxonomy-aligned proportion of CapEx,year N (18)	Taxonomy-aligned proportion of CapEx, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacturing of energy efficiency equipment for buildings	3.5	91.585.294	57%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	99,81%	N/A	E	N/A
Installation, maintenance and repair of energy efficiency equipment	7.3	152.355	0,10%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0,17%	N/A	E	N/A
Installation, maintenance and repair of renewable energy technologies	7.6	25.109	0,02%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0,03%	N/A	E	N/A
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**91.762.759**	**57%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**100%**	**N/A**	**E**	**N/A**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	**0%**																	
Total (A.1+A.2)		91.762.759	**57%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		68.000.500	**43%**																	
Total (A + B)		159.763.259	**100%**																	

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources(13)	Circular economy(14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of OpEx, year N (18)	Taxonomy-aligned proportion of OpEx, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacturing of energy efficiency equipment for buildings	3.5	27.729.518	18%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	34%	N/A	E	N/A
Installation, maintenance and repair of energy efficiency equipment	7.3	44.920.823	30%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	55%	N/A	E	N/A
Installation, maintenance and repair of renewable energy technologies	7.6	9.293.603	6%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	11%	N/A	E	N/A
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**81.943.944**	**54%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**100%**	**N/A**	**E**	**N/A**
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	**0%**																	
Total (A.1+A.2)		81.943.944	**54%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		70.092.056	**46%**																	
Total (A + B)		152.036.000	**100%**																	

The current available definitions as included in the EU Taxonomy are broadly formulated which leads to companies having to interpret how this applies to their business activities and the impact thereof on alignment. To our knowledge and understanding, we applied judgment, interpretations and assumptions based on current available information to date. Future guidance could result in more accurate definitions and other decision-making in meeting reporting obligations that may come into force, which could impact future EU Taxonomy reporting.

KPI and calculation methodology

For 2022, Ariston Group performed an analysis to determine the percentage of alignment of each eligible economic activity's Net revenue, CapEx and OpEx to keep up with the steps of the Regulation over the years.

The calculation methodology of the three KPIs was developed and carried out separately for the activities related to the products families and for the ones related to the services, as the two calculation methodologies differ from each other. The values provided reflect a conservative approach to the interpretation of the new Regulation and were elaborated also taking into consideration the available information and requirements set out for the two objectives previously mentioned.

Products

The results of the three KPIs related to products are generated from economic activity 3.5, which is the manufacture of energy efficiency equipment for buildings. The products related to this activity are water heaters, boilers, heating pumps, air conditioners, solar thermal, thermostats and connectivity.

- **KPI for Net revenue**

The numerator was determined starting from an analysis of the main product families to identify *Taxonomy-aligned products* according to the technical screening criteria (TSC)*:* renewable energy technologies have been fully included in the net revenue calculation, while for water heating and space heating solutions, only the two highest classes of energy efficiency have been taken into consideration. As the denominator of the KPI, 2022 consolidated net revenue was used.

- **KPI for CapEX**

The numerator includes the total amount of Capex associated with Taxonomy-aligned products, such as research and development activities aimed at reducing costs and improving product quality, all the laboratories, all the assets inside the research labs and all the plants and properties that improved the manufacturing process of such products.
The denominator contains additions to tangible and intangible assets during the financial year considered before depreciation, amortization and any restatements, including those resulting from revaluations and impairment, for the relevant financial year and excluding fair value changes.
The denominator also includes increases in tangible and intangible assets resulting from business combinations.

- **KPI for OpEX**

The numerator includes the total amount of operating expenditures, such as non-capitalized R&D costs and maintenance and repair expenditures. As in the methodology used for calculating Capex, each type of costs has been linked to the corresponding product family classified as Taxonomy-aligned.
The denominator contains direct non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of property, plant and equipment by the undertaking or third party to whom activities are outsourced which are necessary to ensure the continued and effective functioning of such assets.

Services

The Group decided to not compute the three KPIs for activity 7.5 ("*Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings*"), because revenue data from the installation of thermostats cannot be disaggregated from the value of products sold (already included in activity 7.3); furthermore, such values represent a residual part of the total aggregated amount for the activity. Accordingly, it is not possible to define a methodology to allocate CapEx and OpEx properly.

The results of the three KPIs related to the service are generated from the following activities:

- Activity 7.3 - Installation, maintenance and repair of energy efficiency equipment
- Activity 7.6 - Installation, maintenance and repair of renewable energy technologies

- **KPI for Net revenue**

To calculate the net revenue originated by the services carried out by Ariston Group, only the services conducted by the companies or brands that offer direct after-sales services have been taken into account. The numerator of the turnover is calculated from the service of installation, maintenance and repair on products previously identified as *Taxonomy-aligned*. In the calculation of net revenue, also Spare Parts are included.
As denominator of the KPI, 2022 consolidated net revenue was used.

- **KPI for CapEX**

The numerator covers the total amount of CapEx related to the services of installation, maintenance and repair of products previously identified as Taxonomy-aligned. In this calculation, the CapEx from the installation of the Spare Parts has not been considered as it falls within the scope of the CapEx of the finished products.
The denominator contains additions to tangible and intangible assets during the financial year considered before depreciation, amortization and any restatements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes.
The denominator also includes increases in tangible and intangible assets resulting from business combinations.

- **KPI for OpEX**

The numerator calculation of OpEx includes car rental, fuel, non-capitalized R&D costs related to the services of installation, maintenance and repair of each product category previously identified as Taxonomy-aligned. In this calculation, the OpEx from the installation of the Spare Parts has not been considered as it falls within the scope of the OpEx of the finished products.
The denominator contains direct non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

Alignment process

As per last year, to identify how and to what extent the activities of the Company are associated with economic activities qualified as environmentally sustainable or "EU Taxonomy-aligned", Ariston Group has analysed all the applicable technical screening criteria (TSC). The approach used by the Group, since the first reporting year, has proven to be in line with the clarification that took place through the European Commission 's Q&A in December 2022; below are the steps in the analysis undertaken:

Substantial Contribution Criteria

1. Household appliances, space heating, domestic hot water, cooling and ventilation systems rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 of the European Parliament and of the Council and delegated acts adopted under that Regulation;[1]
2. Heat pumps compliant with the following criteria in accordance with Directive (EU) 2018/2001:
   - Only heat pumps for which the estimated average seasonal performance factor (SPF) > 1,15 * 1/η shall be taken into account.

The first criterion applies to all Ariston Group products identified as Taxonomy-eligible and included in activity 3.5, namely water heaters, boilers, heat pumps, air conditioners and solar thermal. This criterion is actually extended to the other Taxonomy-eligible activities identified with codes 7.3 and 7.6 that are related to the service of installation and maintenance of individual components and systems.
The second criterion applies only to heating heat pumps and to the activity of installation and related operations (activity 7.6).

[1] The analysis of this substantial contribution criterion was based on the segmentation of the main product families and services sold, which were broken down into different clusters based on type, specific features, and geographical area of sales. For future analysis, the Group is considering the opportunity to leverage specific information related to the energy efficiency classes of products when they are publicly available on EPREL (EU Product Database for Energy Labelling) database.

DNSH Criteria

The Group has verified the compliance of its eligible activities to the DNSH requirements related to both the objectives (CCM and CCA) outlined in the Climate Delegated Act.

1. **Adaptation to climate change**

   Ariston Group has performed an **Assessment of Natural Hazard Exposure** to identify top-priority sites deserving of deeper investigation regarding their exposure to natural hazards. The Group is evaluating the possibility to further extend the scope of the analysis to other applicable risks (if any), taking into consideration different climate-scenarios (e.g., scenarios published periodically by the Intergovernmental Panel on Climate Change (IPCC)).

2. **Sustainable use and protection of water and marine resources**

   Ariston Group is monitoring its environmental impacts through specific internal tools and processes that covers many different environmental aspects (e.g., energy consumption and air emissions, waste, noise, etc.) including "water management".

3. **Transition to a circular economy**

   Ariston Group makes use of cutting-edge technologies to offer energy-efficient products, reduce packaging and provide renewable solutions, considering it a priority to innovate in order to minimize environmental impacts. The company is currently working on the implementation of a circular economy system, based on a strategy that prioritizes recycling over disposal and reuse of various materials in manufacturing processes, starting from the procurement of recycled and recyclable raw materials to a logistics system that reduces and optimizes consumption.

   In addition, in France, in 2022 Ariston Group faced regulations on materials traceability, developing in the year a project to be compliant with French law no. 2020-105 of 10 February 2020, relating to the fight against waste and the promotion of the circular economy (AGEC)[2], which provided a great boost to the ecological transition that comes into force for the company as from 1 January 2023. The law requires the publication of information on the environmental qualities and characteristics of waste generating products (used recycled material, recyclability, presence of rare earths, precious metals and dangerous substances).

   For further discussion on the topic, please refer to the chapter "The Group's Environmental Commitment" in this Report.

4. **Pollution prevention and control**

   As regards harmful substances used in processes, Ariston Group verified the presence of the substances listed in the aforementioned Regulation[3] and it is compliant with the REACH, ROHS and POPs directives. For further information, please refer to the chapter "The Group's Environmental Commitment" in this Report. As of now, the pollution criteria proposed by this DNSH are met by Ariston's eligible activities, however the Group is looking forward to receiving further guidelines from the European Union in 2023 about how to conduct an assessment to define criteria for essential uses of substances of critical concern.

5. **Protection and restoration of biodiversity and ecosystems**

   As regard the objective and the main actions pursued aimed at preserving biodiversity and ecosystems, Ariston Group is ISO14001 certified and developed a standard to assess environmental aspects and impacts, including the impact on biodiversity. The assessment was performed on the following risks impacting biodiversity: atmospheric emissions (VOC, NOx, dust and non-listed substances), water discharge, releases to the soil, noise, light and electromagnetic emissions. According to this assessment and the geographical location of its facilities which are outside any area protected according to UCN Protected Area Management categories, Ariston Group is considered as not impacting biodiversity.

Minimum Safeguards

Ariston Group is committed to respecting the fundamental Human Rights of all its stakeholders across the value chain: in its operations, along the supply chain and in the communities where the company operates. Ariston Group's commitment refers to internationally recognized Human Rights defined in the International Bill of Human Rights, the ILO's Declaration on the Fundamental Principles and Rights at Work, and the Convention on the Rights of the Child. Ariston Group's commitment to Human Rights has been consolidated in a due diligence process - aligned with the UN Guiding Principles on

[2] According to Law no. 2020-105 (the "Agec Law"), it is applicable, as of 1 January 2023, to producers with annual turnover of more than 50 million euros and at least 25,000 product units placed on the French market each year.

[3] Market substances listed in Annexes I or II to Regulation (EU) 2019/1021 of the European Parliament, Article 2 of Regulation (EU) 2017/852 of the European Parliament and of the Council, Annexes I or II to Regulation (EC) No. 1005/2009 of the European Parliament and of the Council, Annex II to Directive 2011/65/EU of the European Parliament and of the Council, Annex XVII and Article 57 of Regulation (EC) 1907/2006.

Business and Human Rights - aimed at identifying and assessing potential risks and impacts related to Human Rights. This process allowed Ariston Group to identify its salient Human Rights issues, meaning those human rights that are at risk of the most severe negative impacts through the Company's activities or business relationships.

The principles guiding the Group's operations are fully aligned with those found in the OECD Guidelines for Multinational Enterprises

Note on methodology

How this document was created

The reporting scope of this Non-Financial Declaration is the same used for the consolidated financial statements, and includes the economic, environmental and social results of the activities of all Ariston Group companies at a global level.
This document has been drafted with reference to the GRI Standards 2021, which currently represent the main reference for non-financial reporting at national and international level. The information contained in this document refers to fiscal year 2022 (from 1 January to 31 December) and further information about the Group's 2030 ESG strategic targets are described in the Road to 100 Report.
The materiality of information, i.e. the threshold beyond which a topic becomes important enough to be reported, is at the core of the reporting process and reflects the organisation's economic, environmental or social impacts that can influence the decisions of stakeholders.
These impacts were then subject to a technical assessment, aimed at measuring their significance. Each was measured according to its scope, scale, irremediable character and likelihood of occurrence.
The collection of information and data reported took place in collaboration with all of Ariston Group's functions on the basis of their responsibilities, activating an information flow coordinated and supervised by the Group ESG Director and subjected to the ESG Committee's approval.
For further information, please contact ESGAriston@ariston.com or visit Ariston Group.

Where the relevant aspects of the Dutch decree are discussed

This section addresses the requirements of the Dutch Decree on Non-Financial Information (*Besluit bekendmaking niet-financiële informatie*), which is a transposition of **Directive 2014/95/EU** "Disclosure of non-financial and diversity information" into Dutch law.

Dutch Decree aspects	Internal references
Business model	§Our Group
Policies and Due Diligence	**Environment:** Group HSE Policy, ISO 14001 certified World Class Manufacturing **Social:** Group HSE Policy, ISO 45001 certified Diversity Policy Recruitment & Selection Process **Governance:** Code Of Ethics MOG Ariston Holding N.V. MOG Ariston S.p.A. Board Rules ESG Committee Rules Audit Committee Rules Remuneration Policy Connettività Privacy Notice Modello Informativo_Trattamento Dati Clienti Antitrust Compliance Handbook Whistleblowing Procedure Related party transactions Policy Policy on bilateral contacts with shareholders Disclosure Policy Dividend Policy Insider trading Policy While all the relevant public policies addressing ESG issues are listed above, other confidential policies have been developed over the years to cover key areas such as business continuity, internal audit activities, complaints management, antitrust, information security and data privacy management, product, spare parts and materials flows management, procurement practices, waste management, people training and development.
Principal risks and their management	§Governance: How we manage risks; Integrating ESG risks into the ERM framework
Where we deal with thematic aspects	
Environmental matters	§The Group's Environmental Commitment: The Decarbonisation Strategy; World Class Methodology; Integrated Management System §Governance: Environment, Health and Safety Management
Social matters	§The Group's Social Commitment: Creating Value for Communities and Stakeholder §Governance: Environment, Health and Safety Management ISO 45001
Employee matters	§The Group's Social Commitment: We are Ariston Group
Respect for human rights	§Governance: Human rights due diligence process, ISO 45001 and related Health and safety management system, Integrating ESG risks into the ERM framework
Fight against bribery and corruption	See Annual Report 2022, §Governance Report, Code of Ethics, Mog D. Lgs. 231/2001, §Governance: 231 Organisational Model; Whistleblowing
Supply Chain	§The Group's Environmental Commitment: Building a responsible supply chain

About Ariston Group

Our Group

Our vision: SUSTAINABLE COMFORT FOR EVERYONE

Our purpose is to provide everyone, in every corner of the world, with high-quality heating and hot water solutions, while protecting the environment.

Our mission: TO BE THE WORLD'S PREFERRED PARTNER IN DELIVERING ENERGY EFFICIENT AND RENEWABLE SOLUTIONS FOR HEATING AND HOT WATER

To be able to understand consumers' needs and to satisfy them worldwide, with leading brands and an extensive offer of products and services in the thermal comfort, burners and components sectors.

Our Group: A GLOBAL COMPANY WITH STRONG LOCAL ROOTS

64 operating companies and 5 representative offices in 42 countries, 25 production sites, 25 centres of competences and r&d in 5 continents.

All over the world, Ariston Group is synonymous with **comfort, energy efficiency** and **respect for the environment**, thanks to its renewable and high efficiency products, its plants in compliance with the most advanced production standards and excellent pre- and after-sales customer support services. The Group now has a **leadership position in the global thermal comfort market** for residential and commercial spaces.

The Group's Environmental Commitment

Expanding the Group's sustainable product portfolio through acquisitions

The Group's commitment to adopt low carbon technologies and contribute to decarbonisation targets is also demonstrated through its latest acquisitions. While January 2022 saw the finalisation of **Chromagen's acquisition**, an Israeli leader in the provision of renewable hot water solutions, the Company announced this year the acquisition of **100% of the share capital of CENTROTEC Climate Systems**, a leading provider of heating, ventilation, air treatment and cogeneration solutions, with a strong presence in Germany and the Netherlands, as well as in other European markets.
This acquisition will enrich Ariston Group's sustainable heating product portfolio and is an important step to further meeting the Company's environmental, social and governance (ESG) goals, through the integration of the **Wolf, Brink, Pro-Klima and Ned Air brands**. More specifically, **Wolf** is a pioneer in the development of the new generation of heat pumps in Germany, with natural refrigerant (R290), high efficiency and low noise performance. **Brink** is a leading European player in heat recovery domestic ventilation, the enabling technology for a healthy living environment and especially for nearly Zero-Emission Building (nZEB), a pillar of the European strategy towards energy efficiency and decarbonization. **Wolf (along with the Pro-Klima and Ned Air brands)** also operates an air-handling-unit business, offering high-efficiency airflow control systems supplying fresh conditioned air for spaces in commercial buildings.

Solutions: smart sustainable comfort for a better future

Heat pump technologies as a key lever to achieve the energy transition

Ariston's Nimbus S NET R32: Ariston's Nimbus S NET R32 heat pump system uses **R32 refrigerant**, a sustainable, economic and efficient choice. R32 is a high-performance gas with a low Global Warming Potential (**675 vs. 2,088 of the previous model**) and a **zero-ozone depleting potential**. It is also F-Gas phasedown compliant and requires less refrigerant volume per cooling power, making it an affordable and readily available choice for the next generation of equipment. Nimbus S NET R32 is endowed with brand new internal units which combine a revised and modern design with improved and new technical features, other innovations include the **New Energy Manager 2.0** with improved logic and algorithms, as well as new input/output points and the new Sensys HD system, a modular thermostat that allows for maximum comfort control, with an intuitive experience and seamless design. The improvement introduced with the Nimbus series will also be available for the **Chaffoteaux, Elco and ATAG mainstream heat pumps**.

Elco's AEROTOP SX: Launched in 2022 by Elco, the AEROTOP SX heat pump is one of the most efficient available on the market for residential applications in terms of **low noise impact**, thanks to three fundamental elements – evaporator, fan and damping – precisely designed for this purpose. It belongs to **the highest A+++ energy efficiency class** and can be run with electricity generated by a **photovoltaic (PV) system**, enabling year-round zero-emissions heating and cooling. The launch of such products follows the significant increase of investments in research and development for heat pump solutions, given their crucial role in the **decarbonisation journey**.

On heating, the energy transition will be complemented by continuous investment in heat pumps with R32, a low GWP gas, which complies with the technical screening criteria set out in the European Taxonomy.

On water heating, the conversion of Nuos range to Low GWP gases started with R513A and will soon include R290. The Nuos range is a fully-fledged heat pump offer dedicated to hot water production and equipped with best-in-class technologies in terms of energy efficiency, heating time and connectivity.

Global brand Elco wins the red dot design award and if design award 2022: On 20 June, Ariston Group's global brand Elco was acknowledged in the **Heating Product categories** of the 2022 edition of the Red Dot Design Award. The Award is internationally renowned recognition and one of the largest design competitions in the world, with its distinctive **"Red Dot" design marker** that has been an indicator of outstanding design around the world for over 60 years. At the same time, the Elco brand was recognized in **the Building Technologies Product categories** of the renowned **iF Design Award 2022**. Elco was awarded with the Red Dot Product Design 2022 and the iF Design Award 2022 for two of its products: **AEROTOP SG**, an electric heating heat pump, and **THALION S**, a thermally driven heat pump, which was also recognized in the **Product Innovation 2022 category**. With a Bauhaus-inspired design, the **AEROTOP SG** is an outdoor electric heat pump designed to be very quiet and compact, with a circular evaporator installed instead of the traditional flat evaporator. **THALION S** is a thermally driven heat pump, an innovative technology that combines the advantages of using renewable energy, with a solution suitable for high temperature applications in the retrofit market. It reduces operating costs and gas consumption by **more than 30%** compared with high efficiency condensing boilers.

Hydrogen, biofuels and low NO_x to reduce the environmental impact

Ariston's One+ NET Wi-Fi Condensing Boilers Range: The One+ NET Wi-Fi boilers offer a range of advanced features that ensure comfort, efficiency and full heat management through connectivity. Being **certified for 20% hydrogen** and tested for a blend that goes up to 30%, these boilers allow for a lower environmental impact. In fact, emissions have been reduced, as **NOx levels have been brought down to 25 mg/kWh**. The boilers achieved an **A+ Energy Class rating,** thanks to the adoption of advanced thermo-regulation accessories and the ability to receive outdoor temperature data from the Internet. They also allow for easier troubleshooting both on site and remotely thanks to built-in connectivity, the new Flow Control System+ and the new Ignition Control System+. The brand-new **Ignition Control System+** self-detects gas characteristics to ensure quick and easy action in the case of gas variations, while the **Flow Control System+** provides step-by-step on-screen instructions for hydraulic system optimisation, while minimising the time and effort needed for flow rate balancing. All products in the One+ NET range can be **controlled remotely** via the Ariston Net App.

ATAG's Compact Boilers Range (CBR): The new CBR includes two different series: the **i-series** and the **P-series** boilers. Both innovative solutions are endowed with a tri-zone iCon Heat Exchanger, economiser technology and are H2 ready. The new **Tri-Zone iCon heat exchanger** is characterised by the presence of three different parts that cooperate to lower emissions and provide the highest efficiency. This new technology includes a zone for the **reduction of temperature** to reduce the amount of NO_x emissions; a second zone that enables CO to combust to CO_2, **reducing CO emissions**; and a third zone to make sure that all the **moisture in the flue gas can condense into water**. Due to its low NO_x emissions, the Tri-Zone heat exchanger received approval to obtain **subsidies from the Dutch government**. The development of **economiser technology** makes it possible to pre-heat the cold-water inlet by using the remaining energy in the flue gases. Utilising the latent energy that is still present in the flue gases, results in a 10% improvement in efficiency, which has a knock-on effect on household hot water performance. Finally, both the i and P-series are **H_2 ready**, meaning that they are designed to be fuelled by a mixture of natural gas containing 30% hydrogen.

Elco Burners' low NOx combustion and H2 ready industrial applications: Elco Burners have a long history of developing technologies that make it possible to lower NO_x emissions. These technologies, along with incorporation of FGR (Flue Gas Recirculation), have enabled the development of a series of low NO_x and ultra-low NO_x burners that range in size from 11 kW to 80 MW. The technology makes it possible to guarantee emissions of less than 30 mg/kWh, a value which is hard to obtain with conventional combustion systems, as well as to offer cutting-edge products that satisfy the requirements of the current regulations in force. In parallel, its research and development department has been working on solutions leveraging blended fuels, including hydrogen, since the 1990s. 2022 saw 6 tailored industrial applications being commissioned and delivered, deploying up to 100% hydrogen.

Towards decarbonisation and Home Energy Management

Decarbonisation and Electrification are global undisputable trends

Ariston Group has one of the largest offers world-wide in terms of hot water solutions: from electric storage water heaters and electric instant water heaters to heat pump water heaters. The Group invests continuously in the segment to update and enrich its offer, to adapt to evolving trends and to meet market needs.
Among these new products, in 2022 Ariston PRO1 Powerflex was launched: Ariston Powerflex is an innovative electric storage water heater that uses the T-Flex 2.0 patented technology to communicate with a smart meter. Launched on the Italian market in May 2022, this solution enables network stabilisation during power peaks and automatically adjusts its power on the basis of the total energy consumption of household appliances, preventing blackouts and maximising energy savings and heating times. Thanks to its PLC communication protocol, PRO1 Powerflex works without any additional wiring or physical connections.
PRO1 Powerflex is just the first of a new electric product generation designed to steer the global electrification transition.

Operations: a decarbonised business with a circular approach

World class methodology

Already back in 2011, Ariston Group adopted the **World Class Manufacturing (WCM) methodology**. Today, the WCM constitutes **a common language** that allows processes to be standardised across the Group's production plants at a global level, to **eliminate waste and improve quality, safety, costs and environmental performance**. The methodology is now operational in **13 production plants** and with the Osimo, Cerreto d'Esi and Arcevia facilities the Group has so far won three bronze awards.

Moreover, in 2018 the Ariston Group adopted the **World Class Logistics (WCL) methodology**, now operational in **two completed goods warehouses**. In line with the WCM concepts, the WCL methodology constitutes **a shared approach** that allows processes to be standardized across the Group's warehouses at a global level, creating a replicable logistics system.

The decarbonisation strategy

As a player operating in a sector that bears a significant impact on GHG emissions, the Group made bold commitments with the introduction of its **carbon reduction programme** in 2022.
The journey follows a clear methodological approach and involves three key phases. The first step involved defining a **baseline** to determine the carbon footprint of the Group's Scope 1, 2 and 3 emissions. The baseline made it possible to **define objectives,** achievable through specific decarbonisation targets and based on careful benchmarking and current climate science. The baseline was set for 2021 and calculated with reference to well-known **Greenhouse Gas Protocol**. During the second step, **decarbonisation levers and respective impacts** were mapped out.

Direct Scope 1 emissions	Indirect Scope 2 emissions	Indirect Scope 3 emissions (use of sold products)	Indirect Scope 3 emissions (rest of categories)
47.513 tCO2e (0.05%)	43,726 tCO_2e (0.05%)	95.415.326 tCO2e (98.30%)	1,611,747 tCO_2e (1.7%)

Ariston Group is committed to reducing its Scope 1 and Scope 2 emissions to 42% by 2030 with respect to 2021. Key levers include conducting operations more efficiently through various initiatives: the implementation of interventions on compressed air (replacement, revamping or management improvement), buildings (insulation), heat recovery and heat volume reduction, temperature management, installation of inverters, locating air leakages and definition of a plan to resolve them, lights (both replacement and management), as well as installation of meters and data collection system. Other actions include the integration of new installations and machinery, the enhancement of renewable energy systems for onsite energy generation, the implementation of electricity shutdown power-saving applications and the gradual electrification of the main processes, including the corporate fleet. In Italy a revamping of the industrial assets has already started to increase the plants efficiency. Finally, a switch to renewable sources through on-site photovoltaic panels extension, Power Purchase Agreements (PPAs), and certified green energy procurement will also be required. As to residual emissions, offsetting activities will be carried out and corresponding credits will be issued.
Evidence indicates that most of the Group's Scope 3 emissions stem from downstream use of the products, with a minor part from purchased goods and services. Ariston Group is committed to addressing use of sold product emissions by leveraging renewable technology solutions, product durability and a more circular use of resources, as well as the reliance on refrigerants with a lower environmental impact and global warming potential, hydrogen, biofuels and connectivity as a means to improve product efficiency. As regards economic intensity target, the Group commits to an ambitious >50% reduction of Scope 3 GHG emissions from use of sold products* per million € value added by 2030 from a 2021 base year. Economic intensity metrics are suitable for sectors featured by product diversification and fast-growing companies. This differs from physical intensity metrics (e.g., tonnes GHG per tonne product or MWh generated) that fit sectors which create uniform products and absolute targets which are designed to reduce the quantity of GHGs emitted to the atmosphere by a specific amount.

Photovoltaic panels and cogeneration at production sites: In line with its goal of **reducing Scope 2 GHG emissions**, the Group is looking to renew its operations with an initial focus on Italy. The project was launched in 2022 with two Italian production plants that are undergoing asset renovation and have already been equipped with **photovoltaic roof panels** to generate renewable energy for self-consumption. The project is currently underway and is envisage for the long-term.

Operating with respect for water resources

ISO 14001, the Group HSE Policy and the WCM methodology for environmental performance are the guidelines followed by Ariston Group throughout its operations in managing water, which is drawn from the municipality and wells and is used for cooling, surface treatment in steel manufacturing plants, finished goods testing and for civil use. The water is subsequently released into sewers or directly into the environment, depending on its use and thus responding to different treatment needs. For example, the Arcevia, Cerreto, Chartres, Genga, Saint Petersburg and Wuxi production sites, in fact, are equipped with internal chemical and physical filtration processes that prepare the water for release into rivers, in accordance with the applicable environmental requirements.

The Group is focused on decreasing the use of water in the production process, improving its water reuse practices and on reducing the use of tap water through drawing from wells. Moreover, all of Ariston Group's production plants strictly abide by local regulations to govern the quality of water discharged and, to do so, have adopted specific periodic controls. Any deviations are noted in the internal audit/controlled HSE action tracker. Additionally, in accordance with Ariston Group's incident management policy, any legal non-conformity or water pollution must be treated as a major environmental issue and immediately notified to top management for impact mitigation.

In 2022, the water-related impacts of the production plants in Albacina, Cerreto, East Freetown, Genga, Hanoi, Chartres, Namur, Osimo, Saint Petersburg, Saltillo, Vieux-Thann and Wuxi were measured following the separation of industrial, civil and rainwater management. Specifically, a sensitivity analysis was conducted based on the discharge into a receiving water body with its ecological status (quality of the water), the legal requirements for the plant authorisation category, the involvement of stakeholders, the size of the area affected by the impact and the reversibility of the impact itself.

* considering at least 67% of Scope 3 emissions

Moreover, the water directly pumped from ground water (not drinkable) at the above-mentioned production sites accounts for 62%, a percentage that increase up to 83% for the Group's ISO14001 certified plants.

From take-make-waste, to closing the loop

In addition to being compliant with the latest European regulations, the Group is ISO 14001 certified and its European production plants have adopted a standard to assess the environmental impact of waste. The latter is measured on the basis of volume trends, the environmental sensitivity according to the percentage of waste disposed of, the legal requirement in light of plant authorisation categories, the involvement of stakeholders, the size of the interested area and the reversibility of the impacts. According to this assessment, Ariston Group's production plants have low waste-related impacts, with a generation of less than 5% of hazardous waste and a revalorisation of 96% of total waste in Europe.

With circularity already active through recycling practices, the Group is progressively identifying circular opportunities and implementing circularity initiatives with a particular focus on its waste management approach, in order to continue reducing its pressure on finite resources.

Focusing on the production process, waste can be divided in two categories: packaging of the raw materials and manufacturing scrap. According to the 5R methodology, waste reduction projects are prioritised by:

1. Rejecting unnecessary packaging, evaluating the environmental impact of any change through a pre-project risk assessment.
2. Reducing waste production by considering some waste resulting from our production processes as by-products (e.g. magnesium oxide is not classified as waste when further use is assured directly in other industrial processes without any further processing), designing high-quality products to extend their lives and designing efficient packaging to reduce waste.
3. Recycling metal, plastics, carton, electrical components, etc.
4. Reusing component packaging in partnership with suppliers, reworking non-conforming products to reuse tank and other metal components saving 0.4% of production, selling wooden pallets for repair and reuse.
5. Revalorising by prioritising incineration with energy recovery when it comes to disposal operations and assessing available technology to treat non-recyclable materials such as polyurethane foam to maintain the energy efficiency of the Group's boilers.

An annual corporate objective of -2% of IRT (waste volume/production pieces) for waste reduction is defined, based on the Group's strategy to meet ISO 14001 requirements.

Gold medal for the Group's Vieux Thann burners plant in France: This year, Ariston Group's SPM Innovation Vieux Thann production plant, which operates in the burners division, received a positive sustainability rating from Ecovadis, confirming its positioning in terms of operational sustainability. The plant was evaluated on a range of criteria varying from environmental to social aspects. More specifically, this enabled the plant to move from a score of 58/100 received in 2020 (silver medal) to 72/100 in 2022, achieving a gold medal score. In terms of benchmarking, SPM Innovation reached the 97th position, meaning that only 3% of the Group's suppliers evaluated by Ecovadis achieved a better score, making it a true example in terms of best-in-class HSE management systems.

Fostering transparency and traceability with a focus on France: In response to the publication of the AGEC law in France in 2022 (Anti-Waste for a Circular Economy Law), Ariston Group has started taking action to communicate the environmental qualities and characteristics of its waste-generating products. As a producer, importer and distributor of water and space heating solutions on the French market, the Group is in fact required to disclose the levels of recyclability and recycled materials, the presence of rare earth elements (e.g. scandium, lanthanum, cerium, neodymium, etc.), precious metals (gold, silver, platinum, palladium), and dangerous substances. Indications must be provided as to whether the presence of these materials is above or below a certain threshold. The data collected must be published and made available to customers. So far, this disclosure has been carried out for the most representative categories of French products, ranging from electric storage water heaters, heat pumps water heaters, heating heat pumps and boilers. The data collection carried out is the first step for the deployment of circularity practices, as it guarantees the identification of circular opportunities, raises awareness in terms of resource consumption and helps improve the transparency and traceability of raw materials in the supply chain.

The Group's Product Lifecycle Management: In 2020, the Group developed a product lifecycle management (PLM) strategy to address the need to guarantee best practices throughout the whole product life cycle. PLM is the business process that manages the entire life cycle of a system or a product and aims to improve the time-to-market, as well as the product cost and effectiveness, ensuring more fluent data management which, in turn, will help monitor environmental impacts and set circularity targets.

Life Cycle Assessment (LCA) and Environmental Product Declaration: the PEP ecopassport: An Environmental Product Declaration (EPD) is an internationally harmonised communication format that describes the environmental footprint of a product throughout its life cycle. The PEP (Product Environmental Profile) registered under the PEP ecopassport® Programme is a type III environmental declaration that meets the ISO 14025 Standard and is based on the LCA methodology. As early as 2017, Ariston Group began working towards the PEP ecopassport and, in 2022, Ariston's Nevis Evo R32 25 MUD0, an air-to-air heat pump providing heating for individual housing, obtained ecopassport certification, the 10th assigned to products developed by Ariston Group brands.

Building a responsible supply chain

Orienting our suppliers' evaluation towards ESG issues: The prequalification procedure for the Group's direct supplier selection process involves the fulfilment of applicable ISO certifications (i.e. ISO 45001, ISO 14001, ISO 9001, ISO 50001), state accreditation for vendors and answers to more than 50 questions on different topics, such as health, safety, environmental and quality aspects. The contract outlines the legal compliance of the entire process in accordance with national and international laws, as well as accreditation. The document must also include an ethical declaration on protecting health and safety in the workplace, respecting human rights and a commitment to the HSE policy, which mandates operating in a responsible manner towards people and the environment. This selection process has been implemented thanks to the Group's e-vendor portal, a dedicated platform that facilitates the collection of supplier documentation.

ESG Supply Chain Due Diligence: Over the course of 2022, the Group worked to set the basis for a structured ESG assessment of its supplier base. The project will be launched in 2023 with an initial definition and identification of strategic suppliers and the criteria suppliers are required to align with. In parallel, the project will involve an assessment which will make it possible to rate ESG performance for each supplier. The ultimate goal is to define clear-cut improvement and monitoring plans along the supply chain.

Streamlining requirements for materials and components: When it comes to raw materials and components, both sourced from within and outside Europe, Ariston Group requires its suppliers to adhere to certain safety and environmental performance requirements. They are defined considering applicable regulations, laws, directives, norms, voluntary standards and Group protocols, and range from packaging to safe drinking prerequisites, along with hazardous substances and pollutants. In particular, the RoHS Directive (Restriction of Hazardous Substances), the POPs Regulation (Persistent Organic Pollutants) and the REACH Regulation (Registration, Evaluation, Authorisation, and Restriction of Chemicals), are applicable to the Group's operations and solutions. For all these requirements, Ariston demands its suppliers declare every year the compliance of the components they supply. These statements are then verified by the Group's Certification Division.

The Group's Social Commitment

People and community: empowering people to achieve more

We are Ariston Group

Employee by gender and region

Region[4]	2022				2021				2020			
	Female	Male	N.D.	Total	Female	Male	N.D.	Total	Female	Male	N.D.	Total
Americas	179	802	0	981	213	1085	0	1298	162	828	0	990
Europe	1060	3907	0	4967	1035	3889	0	4924	952	3874	0	4826
MEA and Asia	514	1416	97	2027	415	1221	0	1636	411	1217	0	1628
Total	**1753**	**6125**	**97**	**7975**	**1663**	**6195**	**0**	**7858**	**1525**	**5919**	**0**	**7444**

Employee by contract, gender and region 2022

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
Number of permanent/ full-time employees	176	801	**977**	812	3690	**4502**	381	1092	83	**1556**
Number of permanent/ part-time employees	2	1	**3**	181	113	**294**	0	0	0	**0**
Number of temporary/ full-time employees	0	0	**0**	60	82	**142**	133	324	14	**471**
Number of temporary/ part-time employees	0	0	**0**	7	22	**29**	0	0	0	**0**
Number of non-guar-anteed employees	1	0	**1**	0	0	**0**	0	0	0	**0**
Regional total	**179**	**802**	**981**	**1060**	**3907**	**4967**	**514**	**1416**	**97**	**2027**

Employee by contract, gender and region 2021

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
Number of permanent/ full-time employees	212	1085	**1297**	759	3662	**4421**	293	934	0	**1227**
Number of permanent/ part-time employees	0	0	**0**	191	112	**303**	0	1	0	**1**
Number of temporary/ full-time employees	0	0	**0**	74	96	**170**	122	286	0	**408**
Number of temporary/ part-time employees	1	0	**1**	11	19	**30**	0	0	0	**0**
Number of non-guar-anteed employees	0	0	**0**	0	0	**0**	0	0	0	**0**
Regional total	**213**	**1085**	**1298**	**1035**	**3889**	**4924**	**415**	**1221**	**0**	**1636**

[4] When the scope referred to in the indicators states Americas, Europe, MEA and Asia the following countries are included in the perimeter:
Americas: USA, Mexico, Canada, Argentina, Guadeloupe, Peru, Chile, Jamaica, Brazil, Guyana, Venezuela, Martinique, Colombia, Uruguay, Dominican Rep., Dutch Antilles, Ecuador, Guatemala, Paraguay, St.Pier, Mique, El Salvador, Belize, Bolivia, Barbados, Nicaragua, Costa Rica, Suriname
Aruba.
Europe: Italy, France, Switzerland, Germany, Spain, Romania, Russian Fed., Netherlands, Poland, United Kingdom, Belgium, Denmark, Hungary, Portugal, Austria, Czech Republic, Greece, Turkey, Croatia, Ukraine, Canary Islands, Serbia, Ireland, Bulgaria, Slovakia, Lithuania
Bosnia-Herz., Albania, Georgia, White Russia, Slovenia, Latvia, Cyprus, Kosovo, Macedonia, Montenegro, Estonia, Liechtenstein, Malta, Norway, San Marino, Moldavia, Finland, Andorra, Luxembourg, Monaco, Sweden.
MEA and ASIA: China, Australia, Israel, United Arab Emirates, India, Saudi Arabia, South Africa, Indonesia, Vietnam, Egypt, Morocco, Kazakhstan, Nigeria, Uzbekistan, Tunisia, Libya, Singapore, Oman, South Korea, Bangladesh, Ghana, Kyrgyzstan, Malaysia, Tajikstan, Iraq, Algeria, Thailand, Qatar, Myanmar, Jordan, Armenia, Hong Kong, Philippines, Lebanon, Azerbaijan, Kuwait, Cambodia, Sri Lanka, Mozambique, Tanzania, New Zealand, Senegal, Turkmenistan, Afghanistan, Namibia, Congo, Cape Verde, Mauritius, Botswana, Bahrain, Kenya, Brunei Dar-es-S, Swaziland, Reunion, Lesotho, Guinea, Ivory Coast, Seychelles, Mali, Gambia, Zambia, Uganda, Cameroon, French Polynesia, Pakistan, New Caledonia, Japan, Yemen, Syria, Mauretania, Ethiopia, Equatorial Guinea, Burundi, Nepal, Madagascar, Benin, Fiji, Taiwan, Sudan, Malawi, Angola, Djibouti, Maldives, Liberia, Sierra Leone, Gabon, Laos, Somalia.

Employee by contract, gender and region 2020

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
Number of permanent/ full-time employees	162	827	**989**	723	3681	**4404**	277	908	0	**1185**
Number of permanent/ part-time employees	0	0	**0**	170	110	**280**	0	0	0	**0**
Number of temporary/ full-time employees	0	1	**1**	51	68	**119**	134	309	0	**443**
Number of temporary/ part-time employees	0	0	**0**	8	15	**23**	0	0	0	**0**
Number of non-guar-anteed employees	0	0	**0**	0	0	**0**	0	0	0	**0**
Regional total	**162**	**828**	**990**	**952**	**3874**	**4826**	**411**	**1217**	**0**	**1628**

Workers who are not employees[5]

	2022	2021	2020
Total	**1020**	**1032**	**676**

Employee hiring rate, 2022

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
< 30 y	14	91	**105**	78	168	**246**	41	75	41	**157**
30 - 50 y	22	76	**98**	127	324	**451**	62	180	11	**253**
> 50 y	6	11	**17**	22	72	**94**	4	10	0	**14**
Total Hiring	42	178	**220**	227	564	**791**	107	265	52	**424**
Total employee number	**8026**									
Hiring rate	**18%**									

Employee hiring rate, 2021

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
< 30 y	24	311	**335**	84	198	**282**	26	75	13	**114**
30 - 50 y	29	193	**222**	101	315	**416**	53	144	13	**210**
> 50 y	3	15	**18**	11	55	**66**	2	4	0	**6**
Total Hiring	56	519	**575**	196	568	**764**	81	223	26	**330**
Total employee number	**7663**									
Hiring rate	**22%**									

[5] Most common types of workers consist of contract staff mainly in Europe and Asia. Prevailing activities for all three years are those related to production as a direct worker, the increase compared to 2020 is mainly due to the higher presence of such workers in Italy, Vietnam, China and South Africa.

Employee hiring rate, 2020

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
< 30 y	2	67	**69**	58	139	**197**	26	34	14	**74**
30 - 50 y	5	66	**71**	66	196	**262**	40	80	14	**134**
> 50 y	3	6	**9**	18	33	**51**	2	3	1	**6**
Total Hiring	10	139	**149**	142	368	**510**	68	117	29	**214**
Total employee number	**7516**									
Hiring rate	**12%**									

Employee turnover rate, 2022

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
< 30 y	23	196	**219**	52	92	**144**	30	54	33	**117**
30 - 50 y	44	196	**240**	95	274	**369**	47	150	17	**214**
> 50 y	5	52	**57**	41	172	**213**	12	31	0	**43**
Total Hiring	72	444	**516**	188	538	**726**	89	235	50	**374**
Total employee number	**8086**									
Turnover rate	**20%**									

Employee turnover rate, 2021

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
< 30 y	21	294	**315**	33	93	**126**	24	43	0	**67**
30 - 50 y	25	178	**203**	68	234	**302**	47	148	0	**195**
> 50 y	3	19	**22**	25	138	**163**	0	9	0	**9**
Total Hiring	49	491	**540**	126	465	**591**	71	200	0	**271**
Total employee number	**7663**									
Turnover rate	**18%**									

Employee turnover rate, 2020

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
< 30 y	15	60	**75**	37	89	**126**	28	52	0	**80**
30 - 50 y	27	54	**81**	37	176	**213**	40	137	0	**177**
> 50 y	5	29	**34**	14	133	**147**	1	10	0	**11**
Total Hiring	47	143	**190**	88	398	**486**	69	199	0	**268**
Total employee number	**7516**									
Turnover rate	**13%**									

Average hours of training provided to employees, by gender

	2022	
	Male	Female
White collar	16	14
Blue collar	4	5
Average hours per gender	20	19
Total	**39**	

Diversity of employees, by gender and category

	2022			2021			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
White collar	34%	16%	1%	34%	15%	0%	33%	15%	0%
Blue collar	43%	6%	1%	45%	6%	0%	46%	5%	0%
Total	**77%**	**22%**	**1%**	**79%**	**21%**	**0%**	**80%**	**20%**	**0%**

Diversity of employees, by age and category

	2022			2021			2020		
	< 30 y	30 -50	> 50 y	< 30 y	30 -50	> 50 y	< 30 y	30 -50	> 50 y
White collar	6%	33%	11%	6%	32%	11%	6%	32%	11%
Blue collar	6%	28%	15%	8%	28%	15%	7%	29%	15%
Total	**13%**	**61%**	**26%**	**15%**	**60%**	**25%**	**13%**	**61%**	**26%**

weARe: The Group's Intranet: In the framework of Ariston Group's commitment towards the full realization of being "One Team", the Company launched its first truly global Intranet, *weARe*, at the end of 2022. The unveiling of *weARe* marked an important step, bringing Ariston Group's global internal community, including blue collar workers with a company account, closer together. The introduction of the corporate Intranet represents a building block to define and disseminate a shared culture, based on core values and historic achievements. Indeed, this need became even more urgent as a consequence of the significant growth of the Group, which has been further accelerated by the CENTROTEC Climate Systems acquisition.

The platform aims not only at spreading messages that are key for the business and its different functions, but also at engaging all the employees worldwide, giving them a voice and involving them in inspiring dialogues with the Company. *weARe* is continuously progressing, leveraging Ariston Group's heritage and strengths, while marking out its evolution according to future dynamics.

Concerning Sustainability, *weARe* provides the employees with specific content, namely:

- **Ariston Group for ESG**: it refers to the Group's ESG strategy and vision, sharing the main objectives, projects, action plans and achievements, always oriented towards a sustainable growth;
- **ESG Around the world**: it provides timely updates concerning international and national legislative frameworks and projects related to the ESG trends;
- **ESG Awareness**: it sheds light on key reports results, aimed at increasing the understanding of the main ESG topics; international days that celebrate and promote ESG awareness; interesting ESG insights considered worth spreading.

Strengthening the "One Team" program: The "One Team" Program was launched in 2020 to help clarify accountability, roles and decision-making processes in streamlining procedures, review local as well as global structures and evolve to a more cross-functional approach. Following a process of alignment of the Product Development and Marketing business functions, 2022 focused on engaging HR, Finance and Supply Chain and Logistics, to evolve towards an even stronger internal business partners system by adopting a "One Team" approach. With regards to the HR team, work on the overall strategy and organisational model was carried out to clarify roles and responsibilities across geographical areas, distinguishing between administrative/HR service activities and business activities. In parallel, work was carried out to help develop a cohesive communication strategy through the launch of the new Intranet. The Supply Chain and Logistics team was involved in identifying and addressing key pain points, leading to a clarification of decision-making processes and new organisational design at the Group and country level. A similar approach was adopted for the Finance project leading to a redefinition of roles and structural changes at all levels, in parallel with the completion of the New Finance Model, which reviewed the Group's Finance systems as well as processes and flows behind.

The Global Leadership Program: The Global Leadership Program is a learning and development initiative aimed at activating, supporting and strengthening practices associated with the competences of Ariston Group Leadership Model: LEAD CHANGE, LEAD BUSINESS and, most importantly, LEAD PEOPLE. The feedback culture and the interpretation of the Leader's role as a Coach are the thread that runs across the different journeys, customized by type of population (Executives, Senior Managers, Managers, Individual contributors and Blue Collars) from 25 countries, wishing to address them through behavioural changes that have an impact on our daily actions and on our results. Launched in 2021, the fully digital GLP program was initially addressed to Executives and Senior Managers, so that they could lead by example and bring about a cultural change through a consistent managerial style. In 2022, the Group extended the Global Leadership Programme to Middle Management, covering 25 countries, and in 2023, it will also be applied to Individual Contributors, with follow-ups planned for Executives and Senior Managers in order to continue strengthening our leadership style and investing more in diversity. Key methodologies include tailored training sessions, individual business coaching journeys, team learning sessions, webinars and online content. In 2022 the GLP was delivered in 8 languages, with over 280 hours of training and over 130 workshops hosted virtually.

Revisiting the Group's Performance Management Process: The strong focus on feedback and a more "employee centric approach" in managing all HR processes brought the Group to review its Performance Management Process, ensuring accountability and recognition of the work performed by employees, on the one hand, and identifying professional development needs on the other. In the co-responsible relationship between managers and employees, where personal and professional growth occurs through objectives and the sharing of training needs, the goal of the Ariston Group is to ensure that all employees have a clear understanding of the work they are required to complete and of the organisation's expectations. The Company strongly believes that if people are provided with adequate direction and support in their work, they will be able to perform tasks to the best of their abilities.

To this extent, the Group introduced several improvements along the Performance process:

- Shift from a top-down to a **bottom-up approach**, where employees are proactive in self-assigning their own goals for the year and co-responsible for the process contents;
- Focus on **employees' development**, offering them the opportunity to express and track both training and development needs and personal growth ambitions, to reduce possible biases in evaluation process;
- Setting of **clear steps with fixed deadlines** defined at Group level, leveraging on a group-wide shared tool to provide a constant overview of the process progression and track both employees historical data and development actions;
- **Effective user experience**, leveraging digital tools and an improved mobile user experience and application look & feel.

Performance management does not stand alone: rather, it is deeply integrated and strictly linked to other processes. It supports **job rotation** processes through the sharing of personal aspirations; it facilitates **career management** by offering career development opportunities aligned with personal strengths; it contributes to the development of specific customized **training paths** that take into consideration inputs and needs; finally, it supports **salary reviews** and **HR mapping** processes.

Developing our employees

Supporting employees in their further development: In 2022, the Group continued to carry on its HR Mapping process, addressed to all white-collar workers, which consists in assessing the performance and potential of employees, to define tailored development plans based on specific learning needs and career paths. The HR Mapping process helps identify multiple talent management activities, ranging from job rotation and comprehensive feedback evaluation processes to coaching activities and training programmes. Along the process continuous individual or in-class training is evaluated aimed at building soft and technical skills, accompanying employees along their growth path inside and across the business. One of the key tools to achieve this goal is the Learning Management System (LMS), which consists of a user-friendly and easy-to-access online hub that embeds all corporate learning materials provided through physical and digital courses.

In 2022 a total of 39 hours of training were provided to employees split across white and blue collars (30 vs 9 respectively per employee within the category). The main types and scope of programs implemented to upgrade employee skills can be found in the below table.

Upskilling programs for white collars	Objectives	Hours (per edition)[6]
Global Leadership Program	To activate, support, and strengthen practices associated with the competences of Ariston Group Leadership Model: LEAD CHANGE, LEAD BUSINESS and, most importantly, LEAD PEOPLE.	11
My Ariston Group	To support the induction of new employees with 6-12 months experience, transferring business competences and Ariston key processes.	40 (on average)
Presentation effectiveness	To refine and improve the style, structure, content and delivery of presentations, through the application of effective techniques, practice and live feedbacks.	16
Leading people for growth	To support recently assigned managers on leading teams in the achievement of results through effective people management skills.	20
Leading The Effective Sales Force	To help optimise the performance of the sales force and increase sales.	40
Brand Management	To identify opportunities and threats that affect the brand's market position and determine potential strategies to capitalize on opportunities to strengthen the brand's position.	60
Sales Planning & Control	To provide for a common language for the management control functions and Sales and the tools to enhance the company's ability to predict, govern and measure commercial performance.	36
Advanced Management Program	Designed for top-tier executives who want to boost their ability to navigate complex markets and identify new sources of competitive advantage.	160
Strategic Learning & Development	To provide the new digital skills that the market requires with a strategic view, increasingly connected to the business aiming to transform training into a Learning Organisation.	30
Finance Group Coaching Journey	Designed for the Finance team to leverage strengths and defining new rules for the team to better work together.	24
Consumer Insight	Training dedicated to the new professional roles of RPD (Region Product Directors) covered by employees already in the company and to Product Managers in order to support them in acquiring new knowledge and skills to work in synergy with markets.	6

A coaching program, specifically designed for the finance team: In 2022, the Finance Team underwent a significant organizational change, which showed the importance of acting quickly in order to bring the team together to define common priorities and build a sense of mutual trust. As a result, a tailored Coaching initiative was put in place through the integration of two different methodologies: 1) 1:1 training sessions focused on personal development and growth; 2) group meetings aimed at building effective relationship. More specifically, training activities were divided into three phases:

1. **Discovery**: to outline strengths and improvement areas, individual perceptions and team dynamics.

2. **Alignment**: to detect team operating principles and identify tools to work effectively as a team leveraging on strengths.

3. **Execution**: to set out new rules for working as part of a team, closing gaps and evaluating learning and achievements.

The latest edition of the Thermowatt Academy: The Thermowatt Academy was launched in 2020 **to develop professional paths specifically for the manufacturing sector**, transferring technical know-how from the Thermowatt sites – Ariston Group's premier component brand — to young talents from Italian technical schools. The 1-month 2021 edition

[6] For each type of program, the hours are identified per participant.

involved 12 students coming from 4 local schools and was focused on Operations. Through a combination of in-class and in-the-field training, the students had the opportunity to learn more about the Company's products and technologies. Currently, 9 out of 12 students have been confirmed and are continuing training. For the 2022 edition, the Academy might become the **systematic way of onboarding young professionals** from both technical schools (ITS) and undergraduate/pre-graduate programs. The Academy will be expanded to include the Ariston brand as well.

Health and safety management

As part of the integrated system, the Occupational Health and Safety Management System applies to 7,975 employees with 100% coverage. The system also applies to all of the Group's 1,020 workers that are non-employees.
Employees are referred to a designated healthcare professional or facility that is decided in order to meet local legal requirements. This professional has the capability to provide clinical services such as medical surveillance and fitness for duty evaluations, medical care for work related injury and illness, substance abuse testing, audiometry, spirometry, biological monitoring, health promotion, and managing healthcare records.

Employees work-related injuries

	2022	2021	2020
Recordable injuries (n)	39	44	45
Injury rate	*5.00*	*5.31*	*5.86*
of which deaths (n)	1	0	0
Death rate	*0.13*	*0*	*0*
Hours worked (n)	7,802,430	8,278,463	7,683,267

Non-employees workers work-related injuries

	2022	2021	2020
Recordable injuries (n)	24	21	15
Injury rate	*10.27*	*10.11*	*6.71*
of which deaths (n)	0	0	0
Death rate	*0*	*0*	*0*
Hours worked (n)	2,337,012	2,076,887	2,235,591

In 2022, taking into account employees, 39 accidents out of 7,802,430 hours worked were registered, with a resulting rate of recordable work-related injuries of 5.00, 6% lower than the previous year. However, among the recorded injuries, one tragic accident led to fatal consequences, causing the rate of fatalities to raise to 0.13. Looking at non-employee workers, 24 injuries and a rate of recordable work-related injuries of 10.27 were recorded in 2022, with a stable trend compared to the previous year.

Creating value for stakeholders

Economic value generated and distributed

(million €)	2020	2021	2022
Economic value directly generated	**1,693**	**2,024**	**2,432**
Directly distributed economic value	**1,626**	**1,824**	**2,249**
Operating costs	1,046	1,327	1,657
Value distributed to employees	387	412	459
Value distributed to capital suppliers	18	8	25
Value distributed to the public administration	42	25	60
Value distributed to shareholders	129	48	46
Value distributed to the community	3	2	2
Economic value retained	**63**	**198**	**192**

The measure of the direct economic value generated and distributed by the Group is reported in accordance with the GRI Reporting Standard. Actual figures have been reclassified as follows:

- Direct economic value generated: net revenues, financial incomes and investment incomes/expenses;
- Direct economic value distributed: operational costs, wages and employees' benefits, payments to capital providers, payments to the public administration and investments in the local community, value distributed to shareholders;
- Economic value.

Educational and awareness focused activities

Italy: In 2022, the **AMPlification** project was launched in Italy by the Worldrise non-profit organisation, with the support of Ariston Group, to help raise awareness on the importance of **Italy's Marine Protected Areas** and their biodiversity. A public discussion and other free activities were organised in October to engage citizens on these issues. These included a **bio-walk** along the coast of the Rena Bianca beach, led by Worldrise marine biologist, Stefano Pedone, to help illustrate the varied biodiversity that populates the Sardinian coastline. The initiative was followed by a **beach clean-up activity** involving the community of Santa Teresa di Gallura, coming together to achieve a single goal: cleaning the coastline to ensure a greener and more sustainable future for future generations.

Mexico: In view of **Breast Cancer Awareness Month** in October, Ariston Group staff members and their families were invited to donate their hair to "Casa Rosa", an organisation that supports women fighting cancer and that creates natural fibre wigs for breast cancer patients. Moreover, this year, the local Company established the **Energy Saving Committee**, aimed at developing and recommending strategies for the efficient use of energy.

Supporting non-profit organisations and bringing comfort to people in need

France: Ariston Group has been supporting the **Les Rayonnantes project**, organising training initiatives to improve the inclusion of women in the **maintenance and installation of the thermal comfort industry**. Les Rayonnantes provides disadvantaged people with the opportunity to find employment, through a **6-month course**. The first group of trainees will start training in Saint-Priest in February 2023.

Hungary: Ariston Group donated **condensing boilers** to kindergarten and primary school students in the village of **Ujléta**, to the **National Ambulance Service** and to a structure that assists infants requiring neuro-hydrotherapy in **Győr**.

Indonesia: The **Indonesian Deli Serdang Hospital** and the Ariston Group collaborated to deliver comfort in the health sector through **the provision of Heat Pumps**, meeting the warm water needs of the hydrotherapy pool, used to treat a variety of diseases, including arthritis.

Morocco: In 2022, the Group collaborated with the **El Baraka Angels Association**, offering ultra-high-efficiency solar collectors for water heating to a girls' student house in a rural area.

South Africa: In 2022, the Group supported organisations with donations to **Impilo Women's Shelter**, an organisation that offers protection to women subject to domestic violence, and to **Ironman 4 the Kidz Charity Trust**, an organisation that organises sport events to raise funds for children in need. The Company also provided a scholarship to the **University of Pretoria**, including both tuition and accommodation fees, and food donations to the **Attridgeville Orphanage Home**, where most of our employees are from. During National Women's Day, the Group donated 2000 sanitary pads to a **local primary school**.

A prompt response to emergency situations

Severe flooding in the Marche region: Following the flooding in the Marche region that took place on 15 and 16 September 2022, the Company carried out a project to support colleagues living in the municipalities affected by the disaster, providing financial assistance to those who suffered damage to their homes through the provision of economic support of € 3,500 gross each. In addition, the Group collaborated with the Specchio d'Italia Foundation, organising a tender process to support 50 selected small-medium enterprises.

Supporting Ukrainian employees: Following the outbreak of the war between Russia and Ukraine in February 2022, to support its Ukrainian employees, the Group granted them immediate economic support and monthly economic advantages. All employees intending to leave the country were supported, receiving housing and financial assistance with Poland and Romania as the first emergency hubs.

The Aristide Merloni Foundation

The Aristide Merloni Foundation was set up in 1963 at the behest of the eponymous founder with the goal of supporting the creation of new businesses in the area surrounding Fabriano, where the first production sites were located. Since 2016, the Foundation has launched a series of projects aimed at enhancing local communities through digital competencies and new technologies.

The Aristide Merloni Foundation as a promoter of conferences, reports and conventions. On 20 January, the "Business Mergers and Acquisitions in Italy and the Marche Region - Trends, Opportunities and Open Issues" conference was held at the Contamination Lab of the Marche Polytechnic University in Ancona, to discuss and address regional and national mergers and acquisitions of companies. In 2022, the 7th edition of the Scientific Committee of the Aristide Merloni Foundation, led by former Italian Prime Minister Enrico Letta, took place.

On 20 October in L'Aquila, the Energy for Central Italy conference was held by HAMU, the Abruzzo Marche Umbria hub, of which the Aristide Merloni Foundation is one of the founding members. The Abruzzo, Marche and Umbria regions are involved in the European strategy aimed at supporting the development of the Adriatic-Ionian regions, and key themes such as energy and the innovation ecosystem for central Italy were at the centre of the discussions. On 26 November, the conference presenting the "Alliance School-Work - it is never too late" exhibition took place. The initiative resulted from the Foundation's collaboration with the Building the Future Foundation and focused on the relationship between schools and the professional world. Finally, the 9th edition of the "Report on entrepreneurship in the Marche region" stressed the differences in entrepreneurial propensity between inland and urban areas, also offering an analysis of the impacts of earthquakes on entrepreneurial activities.

Fostering education in the community through partnerships. Future Campus Fabriano, an innovative training course for young people, was held in collaboration with Confindustria Fabriano to introduce younger generations to the surrounding context, to help make them aware of the area and its businesses and professionals, supporting them in designing their future. In 2022, another scholarship was provided to a high-performing student of the "Merloni-Miliani" State Industrial Institute in Fabriano. The second edition of the "Digital Support Sales Edition - Energies for Small Business" course was held in collaboration with the Department of Management of the Marche Polytechnic University. A total of 40 graduates and sales workers were admitted, with a focus on learning the strategic aspects and impacts of digitalisation.

The close collaboration between the ITS Fabriano Business School and the Aristide Merloni Foundation led to the inauguration of a new Automation Laboratory, aimed at enabling technicians to develop their skills in programming, operation and maintenance of machines and systems and to respond to the increased demand for specialized technicians from local businesses. Entirely based on 4.0 technology, the Laboratory includes a robotics section and 24 stations for learning programmable logic controller (PLC) and human machine interface (HMI) programming, as well as asynchronous drive modules and various types of sensors.

The Group's Governance

231 Organisational Model

Ariston has adopted the Organisation and Management Model required of Italian companies under Legislative Decree 231/2001 to prevent the commission of crimes and unethical conduct. Ariston Holding N.V.'s Organisation and Management Model was updated by the Board at the meeting held on 16 December 2022. This version incorporates the organisational, regulatory, and corporate structural changes that occurred since the previous version in a consistent and harmonised manner. The model thus illustrates the general rules of conduct that all recipients must follow to prevent the commission of the updated list of crimes provided by Legislative Decree 231/2001, including all the crime descriptions included up to the date of adoption, as the Board decided to keep the Company fully compliant with Legislative Decree 231/2001, in terms of both the aspects of the Organisational Model and the appointment of the Supervisory Board, also after the new domicile of the Company in the Netherlands. Additionally, at the end of 2022, online training on the 231 model was held for 1,280 white collar employees in Italian operations. This training will be expanded to include production facilities in 2023.

Whistleblowing

In 2018 the Group, being committed to the highest standards of corporate governance in all respects – ethics, integrity, impartiality, honesty, transparency, and accountability – started implementing its whistleblowing system. The aim of this tool and its related process is to provide the necessary level of accountability and allow employees and third parties to report information that can help fight criminality and wrongdoing. The Group appointed a Whistleblowing Internal Committee composed of Internal Audit Committee Members and the Group Legal and Corporate Affairs Manager. The Committee was designed to define and complete investigations, validate the results through *ad hoc* reports, evaluate the necessity to extend investigations and, finally, take action and impose sanctions/penalties. To streamline the system even further and allow internal and external people to communicate with the Company, the Group made a dedicated section available on its website allowing people to file reports anonymously; a convenient and instant channel that fully protects the whistleblower's privacy. 2022 saw 12 claims being made, compared to the 14 made in 2021.

How we manage risks

Effective risk management, integrated into the corporate governance system, is a crucial factor in **maintaining the value of the Group over time**. The Group's Internal Control System has therefore been progressively integrated in a coherent manner, inspired, among other things, by the principles outlined in **Article 7 of the Corporate Governance Code for Listed Companies** promoted by Borsa Italiana and the Dutch Corporate Governance Code (DCGC). The Group has adopted a Risk Management model that designs and includes suitable tools for identifying, measuring, managing and monitoring

risks that could affect the achievement of strategic objectives. The tool to identify, assess and monitor corporate risks is based on the **Self-Risk Assessment approach**. Risks are analysed, determining the likelihood of their occurrence and their impact, in order to establish their priority and how they should be managed.
Business risks are monitored with at least **monthly frequency** through management meetings during which results, opportunities, risks and respective measures are analysed for all business segments and geographical areas in which the Group operates. The **Internal Audit function** systematically verifies the effectiveness of risk management and the Internal Control System as a whole, **reporting the results of its activities to the Board of Directors, the Audit Committee, and the Supervisory Board of Ariston Holding N.V.** for specific risks related to compliance with Legislative Decree no. 231/2001.
This process leads to the identification of **four main risk categories**:

- **Strategic**: risks which may derive from the pursuit of the business plan, from strategic changes in the business environment, and/or from adverse strategic business decisions that could affect the Group's long-term positioning and performance.
- **Operational**: risks which may affect internal processes, people, systems, and/or external resources that affect the Group's ability to pursue its strategy.
- **Compliance**: risks of non-compliance with laws, regulations, local standards, the Code of Ethics, internal policies, and procedures.
- **Financial**: risks relating to uncertainty over returns and the potential for financial losses due to financial performance, together with the risks concerning the reliability of the financial information provided in reports.

During 2022, the Group adopted a new **ERM (Enterprise Risk Management)** process. In this first step, the focus was on **five risks** considered high priorities for 2022:

1. **Ability to expand its range of products, delivering innovative solutions to meet customer needs and preferences, and compliant with regulatory requirements**. The Group's future success will depend on its ability to consistently address changes in end-user demands and in compliance with the latest regulatory requirements. The Group exploits its in-depth knowledge of the markets to adapt its proposals to the latest technologies and needs by accelerating the heat-pump range and the development of all technological and product roadmaps.
2. **Dependence on/Scarcity of raw materials, components and heightened tensions on energy prices utilities**. The Group must manage and mitigate the supply chain pressures alongside the risks of disruption in the European gas imports and **inflationary** trends related to the availability, quality and cost of raw materials, utilities, component parts, and specific finished products.
3. **The ongoing Russia-Ukraine conflict and related escalating geopolitical tensions** continue to generate further volatility and local market uncertainty.
4. **Employees' health and safety**. The Group strives to best manage its employees' health & safety, rigorously complying with applicable laws.
5. **Cyber-attacks.** The Group, like many other multinational companies depends on the efficient and uninterrupted operation of its information and communication technology and its ability to successfully manage increasing cybersecurity risks.

Looking forward, the risk mitigation methodology will be consistently extended to manage all other risks identified.

Integrating ESG risks into the ERM framework: To spread an **ESG risk-based culture**, which involves identifying, preventing and monitoring the actual and potential impacts of the business on the economy, environment and people, the Group has developed its **ESG impact mapping exercise** in line with the new requirements set by the Global Reporting Initiative (GRI), the most commonly adopted sustainability reporting standard. Ariston Group has started integrating ESG impacts into its existing ERM process to ensure that these risks, which have operational, economic and regulatory repercussions at both local and global level, are included in the Company's broader risk portfolio. The **priority identified risks** included addressing GHG emissions reduction targets, substances of concern in products, life-cycle assessments, cybersecurity concerns and ESG supply chain management.

Environment, Health and Safety Management

In order to identify and manage risks and improvement areas concerning Environmental, Health and Safety issues, Ariston Group has implemented an Occupational Health and Safety Management System and an Environmental Management System. Both are certified by the British Standards Institution certification in accordance, respectively, with the international standards **ISO 14001:2015** and **ISO 45001:2018**. The two Management Systems, also integrated with the **ISO 9001:2015** certified Quality Management System, lay the basis of the company strategy for the continuous improvement of environmental policies and prevention policies for the systematic control of risks.

The System, described in the **HSE Management System Manual**, is structured according to a cyclical sequence of planning, implementation, monitoring and review phases and provides all levels of the organization with harmonized tools and guidelines to pursue the objectives expressed by the Group's HSE Policy and ensure legislative compliance. In particular, the system is based on the following processes:

- **Context Analysis**, to determine the external and internal factors relevant to the organization's aims and which influence its ability to achieve the HSE Management System goals, but also the needs and expectations of interested parties.
- **Definition of roles and responsibilities** thanks to an organizational structure that guarantees interactions between the Corporate and local structures in order to systematically ensure governance of HSE aspects.
- **Hazard** identification and **risk** assessment through a methodology for risk assessment aimed at timely and continuous identification of hazards and control of all risks to which workers, suppliers, visitors and any other person with access to workplaces may be exposed.
- **Assessment of environmental aspects** associated with production processes, products and services that the organization can control and those over which it can exert an influence.
- **Change management** thanks to a process to preventively intercept and manage any change that could influence the systems and processes, to control potential impacts on the environment, health and safety of workers.
- **Legislative compliance monitoring** to ensure that all applicable legal and regulatory requirements are identified and continuously updated in accordance with any changes that may occur.
- **HSE annual Internal Audit** with the aim of verifying the effectiveness of the HSE Management System, guaranteeing the correct application within the Organisation of the procedures identified by the Management System and guiding the local structures in the identification of the corrective actions and improvements necessary to guarantee legislative compliance, the achievement of set objectives and continuous improvement.
- **Management Systems Review** by Top Management at regularly planned intervals to ensure its suitability, adequacy and effectiveness. The Management Review outputs are translated into the update and planning of improvement actions and the definition of goals.

The HSE Management System applies to all production and non-production facilities of the Group. Requirements are also included for suppliers, contractors and outsourcing services.

A Group-level procedure (HSE.PR024Tt - HSE Risks Assessment) was put in place in order to have a systematic approach to the early identification of all risks in workplaces, share consistent risk assessment criteria, provide risk mitigation strategies that are efficient in reducing risk to an acceptable level and methods to monitor the effectiveness of preventive and protective measures. Risk assessment is regularly performed for both routine activities and non-routine activities, that are not generally performed on regular basis or in habitual workplaces and could create risks of interference and consequent coordination needs, and the activities being performed for the first time. The overall process allows each site to:

- identify hazards and risk factors that have the potential to cause harm (hazard identification).
- analyze and evaluate the risk associated with that hazard (risk analysis and risk evaluation).
- determine appropriate ways to eliminate the hazard, or control the risk when the hazard cannot be eliminated (risk control).

A Group Procedure, **HSE.PR004Tt-00-Incident Management**, establishes the criteria for reporting and recording Environment, Health and Safety accidents in order to ensure and facilitate the effective and efficient management of incidents from the moment that one occurs, until it can be investigated, and corrective and preventive measures are developed and taken.

Human rights due diligence

Ariston Group is aware that **respect for human rights** needs specific oversight and management tools and procedures, especially as it operates internationally and in close contact with countries characterized by complex socio-political frameworks and in which the rights of workers and the relationships between partners are not always disciplined by regulations equivalent to EU standards. The principles of legality, dignity and equality expressed in the **Group's Code of Ethics and values**, as well as the choice of partners with proven reliability in managing local workers and suppliers, are the foundations on which the Group manages such issues.

In view of evolving European legal, compliance and disclosure requirements, which push companies to align long-term business operational and governance procedures with human rights and environmental considerations, the Group has started working towards the implementation of **an all-encompassing human rights due diligence**. The organization has decided to take a further step in order to enhance the management of this issue: the perimeter focuses on the human rights impacts generated within the Group's operations at a global level and the assessment will soon be extended to the supply chain.

Due to the new rules being adopted by the European Commission and the specific guidelines aimed at addressing the negative impacts caused by business operations, Ariston Group has started implementing a **human rights due diligence process**, in order to identify the most critical areas and countries. The process has involved a number of steps including analysis of **Ariston Group's main human rights impacts**. A preliminary list of human rights instruments both at the international and European level was assessed along with Ariston Group's current policies and procedures alongside a mapping of possible clusters of impacted stakeholders. This analysis allowed the Company to classify countries on the basis of high-low-medium risk levels. Subsequently, a **Human Rights Due Model was designed and implemented**. This phase saw questionnaires being sent out to 19 high and medium risk countries and 1-1 interviews being conducted with 5 countries, classified as high risk. Based on these results, a **Human Rights Policy** is currently in the process of being elaborated and a **mitigation plan** will soon be developed in order to minimize the Group's impacts.

Act with integrity

Ariston Group's governance has always been aligned to the highest standards, and set the goal to maximise the value created for shareholders and all stakeholders by controlling business risks and ensuring the integrity and fairness of decision-making processes.

The Corporate Governance model

On 26 November 2021 the Company's shares were admitted to listing on Euronext Milan. The listing on Euronext Milan has further consolidated the Group's careful management approach to internal control, with a corporate governance model structured as follows:
General Meeting: the Company's General Meeting decides on the matters reserved for it under the law and the articles of association and is chaired by the Chair of the Board of the Company (the 'Board').
Board: the Company maintains a one-tier Board consisting of executive directors and non-executive directors. The executive directors are responsible for the day-to-day management of the Company. The non-executive directors supervise and advise the executive directors. The Board as a whole is responsible for the strategy and the management of the Company.
See section: "Corporate governance" for further details.

Antitrust regulation

The Group runs its business fully compliant with **competition rules and their foundational principles of merit**, **fairness, and loyalty**. The Group requires all employees worldwide to maintain conduct that is fully consistent with the provisions of national and international antitrust laws and regulations, in compliance with the Group's **Code of Conduct** and the **Antitrust Vademecum** which form an integral part of the Group's **Code of Ethics**. The Group's organisation model makes it possible to promptly verify compliance with the relevant EU regulations. Since 2018, the Group has performed a thorough assessment and refreshed its antitrust programme, including a dedicated manual and guidelines, and is offering online training to all employees concerned to raise awareness about applicable laws and the relevant principles. In 2022, the Group launched and performed an overall assessment of its antitrust compliance program, with the aim of strengthening people's awareness and knowledge of antitrust rules, identifying the main points to focus on from an antitrust perspective and spreading an antitrust compliance culture within the Group. The project implied interviews with managers and reviewing of commercial agreements and practices, and the output was a set of updated documentation available on the Group website, an antitrust vademecum and antitrust manual and a new and updated training online tool to be implemented starting from beginning of 2023 to ensure acknowledgement of rules and legal provisions and awareness of correct behaviour, compliant with competitive rules, available to all Group employees.

Anti-money laundering and trade compliance

In 2019, the Company adopted an organisational model that makes it possible to ensure the Group's compliance with **Anti-Money Laundering** (AML) and **International Trade Compliance** regulations at national, European, and international level. Noteworthy among them are the **Office of Foreign Assets Control (OFAC)** Regulations of the United States and the specific Regulations adopted by the European Union with respect to sanctions and restrictions against certain countries and entities as well as to dual use, including **Regulation 428/2009**. The main tool adopted by the Company to this end is the Trade Compliance Manual, which lists the various measures in place to prevent conduct contrary to Trade Compliance regulations. These consist of specific conduct procedures that involve several checks and reviews throughout the performance of sensitive business operations. In 2021, the Group decided to acquire a new organisational tool for Trade Compliance: **software dedicated to running individual and collective checks** on employees, customers, and suppliers as well as **conducting specific investigations** where required. All such measures are referenced in the Code of Ethics, of which they form an integral part. Twice a year, the Group, through a tool managed by an external supplier, conducts a general **review of 10,000 counterparties** (including suppliers, customers and employees), with respect to those located in the so-called sensitive countries, to identify any person or entity sanctioned under OFAC, UN and EU lists. The Group analyses the findings and, if necessary, asks an external advisor to perform additional due diligence, halting transactions where required. This process is repeated also before beginning a new business relationship in a sensitive region. Moreover, in 2022 the Group conducted an overall review of the Trade Compliance Manual and is going to publish an updated version, with a more accurate chapter about sanctioned countries and internal processes on commercial relationships with customers from listed countries. As for this last item, subsequent to the approval of EU Regulation 2022/336 on 28 February 2022 following the invasion of Ukraine by Russia and consequent EU sanctions against Russia, the Company monitored the situation through all the following EU Regulations, up to the ninth package of restrictive measures against Russia adopted with Regulation (EU) 2022/2474, dated 16 December 2022. The EU sanctions potentially affecting the Company are "subjective", if addressed to banned persons, or "objective" if addressed to banned products. As far as objective restrictions, the Company engaged a law firm to screen its whole portfolio of products, with the following results: as regards the Burners division, most of the products manufactured are banned, and export towards Russia has been stopped. As far as Heating and Water Heating products, the finished products are not banned (except for a minor product line which was immediately stopped) even if some components – mainly electronic components – are banned. As a consequence, export of finished products has not been stopped, instead components have been selected and only banned components have been stopped. As for spare parts, a few components are banned, and these have been stopped. As for "subjective" restrictions, all clients, employees and suppliers located in Russia and Belarus have been screened, also with reference to shareholders – second level screening – and are clean; then the same screening has been performed worldwide, and no banned persons were found except for some limited situations that are still under evaluation. If the individuals are confirmed as banned, the Company will stop dealing with them. The functional structure of the Company has been analysed as far as potential crime liability and the consultancy output is that the Company is currently managing the framework of relations with involved parties in compliance with the laws and regulations currently in force.

Anti-bribery

As clearly stated in its Code of Ethics, **the Group does not tolerate any acts of active or passive corruption involving any public or private entity or individual**. The Group's Companies undertake to comply with and enforce applicable anti-bribery legislation. Moreover, the Code explicitly forbids taking advantage or boasting of existing or alleged relationships with Public Administration officials to give or promise money or other utilities to oneself or others as the price for illicit mediation with the public official, or to compensate them with respect to the performance of their functions or powers.

5.3 Corporate Governance

Introduction

The Company is a Dutch public company with limited liability existing under the laws of the Netherlands.

The Company has adopted, except as set out below, the best practice provisions of the Dutch corporate governance code, which contains principles and best practice provisions for listed companies that regulate relations between, *inter alia*, the Board and its committees and the relationship with the General Meeting of the Company.

In this governance report the Company addresses its overall corporate governance and discloses any departure from the best practice provisions of the Dutch corporate governance code and the reasons for such departure.

The Netherlands is the Company's home member state for the purposes of the EU Transparency Directive (Directive 2004/109/EC, as amended).
The Extraordinary Shareholders Meeting held on 19 December 2022, appointed Guido Krass as a member of the Company Board of Directors with effect upon execution of the Transaction which means 2 January 2023, since Guido Krass is the Ultimate Beneficial Owner of Centrotec Climate System, and so a Director representing the interests of the minority shareholder Centrotec Climate System.

Board

Composition and powers

The Company maintains a one-tier Board consisting of executive directors and non-executive directors. The executive directors are responsible for the day-to-day management of the Company. The non-executive directors supervise and advise the executive directors. The Board as a whole is responsible for the strategy and the management of the Company.

The articles of association provide that directors can be appointed for a maximum period of four years ending at the end of the annual General Meeting which is held in the fourth year after the calendar year in which the director was appointed. Directors may be reappointed.

In 2022, Sabrina Baggioni resigned, with effective date 3 November 2022, to take on the role of Chief Digital and Marketing Officer for the Group. In addition, on 19 December 2022 the General Meeting approved the appointments of Mr. Guido Krass and Ms. Antonia Di Bella under the condition precedent of the closing of the acquisition of all the share capital of CENTROTEC Climate Systems GmbH. Mr. Andrea Silvestri and Mr. Paolo Tanoni resigned from the Board under the same condition precedent. Closing of the acquisition took place on 2 January 2023.

As at 31 December 2022, the Board comprised the following directors:

Name **	Year of birth	Nationality	Gender	Position	Commit-tees	First appointment	End of term
Paolo Merloni	1968	Italian	M	Executive director (Executive Chair-man)	A*, D	10 June 2021	2024
Laurent Jacquemin	1969	Belgian	M	Executive director (Chief Executive Officer)		10 June 2021	2024
Marinella Soldi	1966	Italian	F	Non-executive direc-tor (Lead Non-Execu-tive Director) (*independent*)	B, D	10 June 2021	2024
Roberto Guidetti	1963	Italian	M	Non-executive direc-tor (*independent*)	B*, D	10 June 2021	2024
Francesco Merloni	1925	Italian	M	Non-executive director		10 June 2021	2024
Maria Francesca Merloni	1963	Italian	F	Non-executive director		10 June 2021	2024
Lorenzo Pozza	1966	Italian	M	Non-executive direc-tor (*independent*)	C*	17 June 2021	2024
Andrea Silvestri**	1968	Italian	M	Non-executive director	C	15 June 2021	2024
Paolo Tanoni**	1957	Italian	M	Non-executive director		10 June 2021	2024
Ignazio Rocco di Torrepadula	1962	Italian	M	Non-executive direc-tor (*independent*)	B, C	10 June 2021	2024
Enrico Vita	1969	Italian	M	Non-executive direc-tor (*independent*)	A	10 June 2021	2024

*Committee chair
** Andrea Silvestri and Paolo Tanoni resigned with effective date 2 January 2023 and Antonia Di Bella and Guido Krass were appointed with effective date 2 January 2023.

A = Strategic committee
B = Compensation and talent development committee
C = Audit committee
D = ESG committee

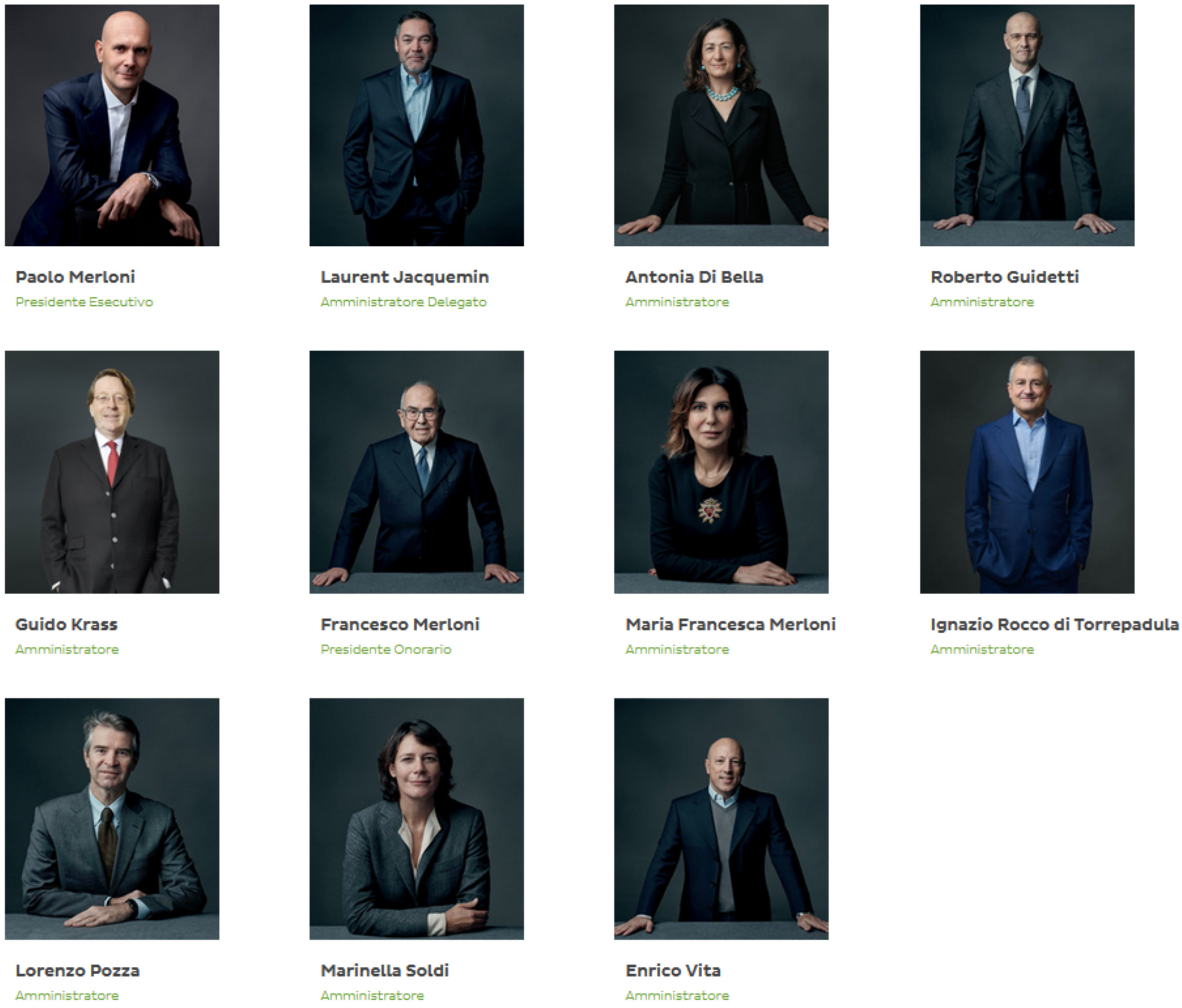


Figure 1: Board

Biographies directors

Since 2011, Paolo Merloni is the Executive Chairman of Ariston Group, a multinational group among the leading companies in the thermal comfort industry, actively engaged in the energy sustainability challenge and offering renewable and high-efficiency solutions for heating and hot water. Paolo Merloni is also Executive Chairman of Merloni Holding and member of the Board of EHI (Association of the European Heating Industry). He is also a member of the Italian board of the international non-profit network Endeavor Global. In 2020 he is appointed as Cavaliere del Lavoro by the Italian President Sergio Mattarella. Paolo Merloni's career begins in McKinsey & Company, first in Madrid and then in the Milan office. In 1995 he joins Ariston Group to hold several key positions over time, including Director for Central and Eastern Europe, Director of Italy and Vice-President with delegation to the Heating System Division. In 2004 he is appointed CEO of Ariston Group. Paolo Merloni graduates with the highest marks and honors at the Bocconi University in Milan in 1992, with a degree in Business Administration. In 2022, he receives the Honorary Degree in Energy Engineering from Politecnico di Milano, recognizing his role as a leader in the energy sector and as an innovator for the energy transition. He was born in 1968 and is married with three children.

Mr. Laurent Jacquemin is the Group's Chief Executive Officer, has thirty years of broad international experience and has been with the Group since 1992 and became a member of the Board of Ariston Thermo Holding S.p.A. in 2017. He has held increasingly important positions in the commercial, marketing and sales areas, in relevant regions including Europe and Asia.

Mrs. Marinella Soldi joined the Group in 2016 and became a member of the Board of Ariston Thermo Holding S.p.A. in 2016. She was Chief Executive Officer of Discovery Networks Southern Europe for 10 years, and in addition chief strategy officer for Discovery International for the last 18 months of her time there. She is currently non-executive chairman of the Vodafone Foundation Italy and non-executive director and chairman of the nomination and remuneration committees for Nexi S.p.A., a listed Italian company, and Talent Garden S.p.A., a start-up company. Nowadays she is the Chair of Rai – Radiotelevisione Italiana S.p.A.'s Board of Directors.

Mr. Roberto Guidetti has held positions in business strategy and general management for the Coca-Cola Company in China. He became vice-president for the mainland China franchise, responsible for the operations of the company, managing the joint ventures with Swire, COFCO and Bottling Investment Group. Since 2013 he has been in charge as group CEO and director of Vitasoy International Holdings ltd., a beverage company listed on the Hong Kong Stock Exchange. He became a member of the Board of Ariston Thermo Holding S.p.A. in 2018.

Mr. Francesco Merloni has led the Group for over forty years. Since 1972, he has been a member of the Italian Senate and Lower House seven times, during which time he has taken a special interest in industrial policy, also acting as a member of the Bi-Cameral Commission for industrial reconversion and State's shareholdings. He was designated Minister of Public Works for the Government of Prime Minister Giuliano Amato in 1992, being confirmed in the same role under Prime Minister Carlo Azeglio Ciampi in 1993. Mr. Merloni is also a non-executive director of Merloni Holding S.p.A., the Company's controlling shareholder.

Mrs. Maria Francesca Merloni has had an extensive career working in advertising for large manufacturing companies. As founder and artistic director of the Poiesis Festival in Fabriano, Italy, she was awarded the UNESCO "Ombra della Sera" Prize in 2013 for her cultural, social and humanitarian work. Mrs. Merloni is also a non-executive director of Merloni Holding S.p.A., the Company's controlling shareholder and became a member of the Board of Ariston Thermo Holding S.p.A. in 2008.

Mr. Lorenzo Pozza is a chartered statutory auditor. He has served as a director at Italian companies Angel Capital Management S.p.A. and Amplifon S.p.A., and a member of the board of statutory auditors of Italian companies Assicurazioni Generali, Telecom Italia, Terna and Edison. Mr. Pozza was awarded an honourable mention from the Boston association Family Firm Institute for best article in 2008 in the Family Business Review and a Research Excellence Award from the director of Bocconi University in Milan, Italy.

Mrs. Antonia Di Bella was born in Drapia, Vibo Valentia, on 17 February 1965. She graduated in Business Economics and Social Sciences at the University of Calabria. She is listed in the register of the Certified Auditors and Accounting Professionals of Milan and in the register of Statutory Auditors. She is lecturer in Accounting and Management in Insurance at Università Cattolica del Sacro Cuore, Milan. She has spent her professional career first in the KPMG network, dealing with auditing the financial reports of insurance and reinsurance companies and of firms operating in the manufacturing sector and, between October 2007 and July 2015, she was the head of the insurance sector at Mazars S.p.A. She held the position of auditor and Chair of the Board of Auditors in other listed and non-listed firms, including Assicurazioni Generali, Maire Tecnimont, Pininfarina, BT Enia Telecomunicazioni, Atlanet, SFP Emilia Romagna, Yolo, Assimoco, Helvetia Vita, and independent director in Interpump Group. Currently she practices in Milan as an indipendent professional and is of counsel at ADVANT- Nctm.

Since 1990 Mr. Guido Krass is the Chairman of CENTROTEC SE as founder and majority owner. With a focus on energy-efficient building technologies, CENTROTEC SE has founded and acquired a portfolio of sustainable manufacturing companies in Germany and neighboring European countries. Alongside this, he founded Pari Group with a focus on global real estate and technology investments. In 2017, he co-founded the Milan-based One Ocean Foundation, which aims to develop solutions to ocean issues through ocean literacy, blue economy-related projects, and scientific research programs. With studies completed in Heidelberg and Hamburg, he holds a law degree from the University of Kiel in Germany. At the beginning of his career, he worked in real estate development and private equity in Houston, Texas, and Munich, Germany. Born in 1957 in Trier, Germany he now resides in Switzerland and is married with two children

Mr. Ignazio Rocco di Torrepadula is founder and CEO of Credimi S.p.A., a digital invoice financing platform for the financing of Italian and European SMEs. He is also Senior Advisor at Tikehau Capital, a pan-European asset management group, leader in the management of Corporate Credit Funds. Mr. Rocco di Torrepadula has more than 25 years' experience in the financial services sector; he was the head of the Financial Institutions' practice of The Boston Consulting Group in the Central Europe branch, and he previously dealt with Corporate Banking and Venture Capital in the Akros Group, in the IMI Group and in 21 Investments.

Mr. Enrico Vita has held positions with increasing responsibility at the Italian manufacturing company Indesit both in Italy and abroad, including as chief operating officer with responsibility for commercial, marketing and consumer after-sales services. In 2014 Mr. Vita joined the Amplifon Group as Executive Vice-President EMEA and in March 2015 he was appointed Chief Executive Officer with responsibility in the three regions where the company operates, as well as for corporate functions of marketing, IT and supply chain. He became a member of the Board of Directors of Ariston Thermo Holding S.p.A. (old) in 2018.

Appointment, suspension and dismissal of directors

The directors are appointed by the General Meeting pursuant to a binding nomination of the Board. The General Meeting may at all times overrule the binding nature of such a nomination by a resolution adopted by a majority of at least half of the votes cast in the General Meeting, provided that this majority represents more than half of the issued share capital of the Company. If a nomination has not been duly made, the General Meeting shall be free to appoint the directors at its discretion. A resolution of the General Meeting to appoint a director in accordance with a nomination by the Board shall be adopted by absolute majority of the votes cast.

The articles of association provide that a director may be suspended or dismissed by the General Meeting at any time. In addition, an executive director may be suspended by the Board at any time. A resolution of the Board to suspend the Executive Chairman must be adopted with a majority of two-thirds of the votes cast in a meeting where all directors, other than the Executive Chairman, are present or represented. A resolution of the General Meeting to suspend or dismiss a director other than on the proposal of the Board, requires a majority of the votes cast representing more than half of the issued share capital of the Company.

Board rules

The Board has adopted rules with respect to the holding of meetings by and the decision-taking process of the Board and other matters concerning the Board, its committees and the directors.

The Board rules provide that Board meetings shall generally be held at the office of the Company in Italy but may also take place elsewhere. No meetings of the Board will take place in the Netherlands. In addition, Board meetings may be held by conference call, video conference or by any other means of communication, provided all participants can communicate with each other simultaneously. However, no director will participate in a meeting of the Board (including a meeting by conference call, video conference or by any other means of communication) whilst being in the Netherlands.

Where unanimity cannot be reached, all Board resolutions are adopted by an absolute majority of the votes cast. At a meeting, the Board may only pass resolutions if the majority of the directors are present or represented. A director may only be represented by another director authorised in writing. Each director shall have one vote.

Board resolutions may at all times be adopted outside of a meeting, in writing or otherwise, provided that the proposal concerned is submitted to all directors then in office and none of them objects to this manner of adopting resolutions.

Indemnification

Under Dutch law, indemnification provisions may be included in the company's articles of association. Under the articles of association, to the extent permissible by the rules and regulations applicable to the Company, the Company is required to reimburse current and former directors for (i) the reasonable costs of conducting a defence against claims for damages or of conducting defence in other legal proceedings, (ii) any damages payable by them and (iii) the reasonable costs of appearing in other legal proceedings in which they are involved as current or former directors, except proceedings primarily aimed at pursuing a claim on their own behalf, based on acts or failures to act in the exercise of their duties or any other duties currently or previously performed by them at the Company's request, if and only if and to the extent the relevant costs and damages are not reimbursed on account of said other duties.

There shall, however, be no entitlement to reimbursement and any person concerned will have to repay the reimbursed amount if and to the extent that: (i) a Dutch court, or in the case of arbitration, an arbitrator, has established in a final and conclusive decision that the act or failure to act of the person concerned may be characterised as wilful (*opzettelijk*), intentionally reckless (*bewust roekeloos*) or seriously culpable (*ernstig verwijtbaar*) conduct, unless Dutch law provides otherwise or this would, in view of the circumstances of the case, be unacceptable according to standards of reasonableness and fairness; (ii) the costs or damages directly relate to or arise from legal proceedings between a current or former director and the Company or its Group; or (iii) the costs or financial loss of the person concerned are covered by an insurance and the insurer has paid out the costs or financial loss.

Conflicts of interest

Dutch law provides that a director may not participate in the adoption of resolutions (including deliberations in respect of these) if he/she has a direct or indirect personal interest conflicting with the interests of the Company, which shall be determined outside the presence of the director concerned. A conflict of interest exists in any event if in the situation at hand the director is deemed to be unable to serve the interests of the Company and the business connected with it with the required level of integrity and objectivity. Pursuant to the articles of association and the Board rules, any director shall immediately report any (potential) conflict of interest to the other directors.

In addition, the Company endorses the principles and provisions of the Dutch corporate governance code that address conflicts of interest between the Company and one or more directors. To this effect, provisions have been included in the Board rules covering best practice provisions 2.7.1. through 2.7.6 of the Dutch corporate governance code, which were adhered to in light of the conflicts of interest described hereafter.

If a director does not comply with the provisions on conflict of interest, the resolution concerned is subject to nullification (*vernietigbaar*) and such director may be held liable towards the Company. As a general rule, the existence of a (potential) conflict of interest does not affect the authority to represent the Company. Furthermore, as a general rule, agreements and transactions entered into by the Company cannot be annulled on the grounds that a decision of its Board was adopted with the participation of the conflicted director. However, under certain circumstances, a company may annul such an agreement or transaction if the counterparty misused the relevant conflict of interest.

During the year under review, no conflict of interest occurred with respect to the Company and its directors. The Group entered into several related party transactions with companies related to the Executive Chairman, which were reviewed and approved by the Board, and considered to be entered into on arm's length terms, upon the proposal of the independent non-executive directors.

Related party transactions

The Company has a related party transactions policy providing for procedures for directors to notify a potential related party transaction. The purpose of the related party transactions' legal framework is to provide adequate protection for the interests of the Company, its subsidiaries and its stakeholders.

In 2022 all directors were asked to fill out a questionnaire to report on all related party transactions they were aware of. All directors filled out this questionnaire. The details following from this questionnaire were included in a report on related party transactions. All related party transactions and the details thereof reported by the directors were already known by the Company.

The related party transactions report, prepared by the General Counsel, included all related party transactions executed during 2021 and 2022 until 3 August 2022 (the date of the Board meeting in which the related party transactions were discussed), the involved parties and the arm's length criteria of each transaction with attached documentation evidencing the mentioned criteria. No Price-Sensitive Statutory Related Transactions (as defined in the related party transactions policy) were entered into in the relevant period. The Code Related Party Transactions and Statutory Related Party Transactions (as defined in the related party transactions policy) entered into in the relevant period were listed in the report. The related party transactions were discussed between the independent non-executive directors and subsequently shared with all directors. All directors concluded that the related party transactions were entered into at arm's length terms and conditions and were of economic advantage for the Company, sufficiently explained and documented.

The Board approved an updated version of the related party transactions policy on 16 December 2022, which is available on the Company's website.

Board committees

The Board has four committees that discuss specific issues and prepare items on which the full Board takes decisions. The chair of each committee reports on the main points of discussion and the resulting recommendations are discussed at the subsequent Board meeting. The four committees are:

- the audit committee;
- the compensation and talent development committee which acts as both the remuneration committee and the selection and appointment committee;
- the strategic committee; and
- the environmental, social and governance (ESG) committee.

The audit committee and the compensation and talent development committee consist of non-executive directors. The strategic committee and the ESG committee consist of three directors and Andrea Guerra, who is not a director.

Audit committee:

- Lorenzo Pozza (chair)
- Andrea Silvestri

Sabrina Baggioni resigned from the audit committee with effective date 3 November 2022. On 16 December 2022, Antonia Di Bella and Ignazio Rocco di Torrepadula were appointed as members of the audit committee. The appointment of Antonia Di Bella took place under the condition precedent of closing of the acquisition of all the share capital of CENTROTEC Climate Systems GmbH, which took place on 2 January 2023. Andrea Silvestri resigned from the audit committee on the same date.

All members of the audit committee are considered to be independent within the meaning of the Dutch corporate governance code and two members of the audit committee (Lorenzo Pozza and Antonia Di Bella) are financial experts.

The audit committee is charged in particular with: (i) the monitoring of the financial-accounting process and preparation of proposals to safeguard the integrity of said process; (ii) the monitoring of the efficiency of the internal management system, the internal audit system and the risk management system with respect to financial reporting; (iii) the monitoring of the statutory audit of the annual accounts and consolidated accounts, and in particular the process of such audit (taking into account the review of the AFM in accordance with Section 26 of EU Regulation 537/2014); (iv) the review and monitoring of the independence of the external auditor, with a special focus on other services provided to the Company, in accordance with the Company's external auditor independence policy; and (v) the adoption of a procedure for the selection of the external auditor and the nomination for appointment of the external auditor with respect to the statutory audit of the annual accounts and consolidated accounts.

Unless decided otherwise by the audit committee, the chief financial officer, the head of the internal audit and the external auditor shall attend the audit committee meetings. The audit committee shall decide whether and, if so, when the Chief Executive Officer shall attend audit committee meetings. The audit committee shall meet with the independent auditor at least once a year outside the presence of the executive directors.

In 2022, the audit committee met 11 times. At these meetings several matters were discussed. The main issues were related to:

- the finance accounting process and the financial statements;
- the financial and economic situation of the Group;
- the Group's funding situation;
- the tax control framework;
- the new finance model;
- the performance of the external auditor;
- the internal audit plan and monitoring internal audit activities;
- the whistleblowing process output and effectiveness;
- the selection of the Head of Internal Audit;
- ICT and cyber security risks;
- the ERM (enterprise risk management) process;
- the BCP (business continuity plan) project;
- the SOD (segregation on duty) project;
- the impairment test methodology.

Compensation and talent development committee

- Roberto Guidetti (chair)
- Marinella Soldi
- Ignazio Rocco di Torrepadula

Sabrina Baggioni resigned from the compensation and talent development committee with effective date 3 November 2022. On 16 December 2022, Ignazio Rocco di Torrepadula was appointed as member of the committee.

The compensation and talent development committee is charged in particular with: (i) the preparation of the remuneration policy for the Board; (ii) the preparation of proposals for the remuneration of the directors; (iii) the preparation of the remuneration report on the execution of the remuneration policy during the respective year; (iv) the preparation of the selection criteria and appointment procedures for directors; (v) periodically assessing the functioning of the individual directors and reporting on this to the non-executive directors; (vi) drawing up a plan for the succession of directors; and (vii) proposing appointments and reappointments of directors. This committee, moreover, is charged with supporting the Board in identifying incentive mechanisms for management and making strategic decisions relating to the organisation of the Group. The Board has combined the functions and the responsibilities of the remuneration committee and the selection and appointment committee in the compensation and talent development committee. The Company feels that there would be no benefits for the Company, given its size and its organisational structure, in splitting the Compensation and Talent Development Committee as prescribed under the Dutch corporate governance code.

All members of the compensation and talent development committee are independent within the meaning of the Dutch corporate governance code.

In 2022 the compensation and talent development committee met 6 times. At these meetings several matters were discussed, including:

- planning of topics for the compensation and talent development committee;
- training requirements for executive and non-executive directors;
- changes to the Board composition and change to the Board committees as a result thereof;
- succession planning and talent development;
- organisational evolution;
- update on next steps for LTI 2016, LTI 2017 and LTI 2018 (issue of ordinary shares) and LTI 2019 (resolution);

- 2022 long-term incentive plan;
- Short-term incentive scheme and executive directors' remuneration
    a. MBO 2021: review of performance against targets
    b. MBO 2022: proposal of targets and ranges
    c. executive directors' remuneration 2022
- internal communication strategy & roadmap;
- HR master plan: 2023-2025;
- diversity.

Strategic committee

- Paolo Merloni (chair)
- Andrea Guerra
- Enrico Vita

Ignazio Rocco di Torrepadula resigned from the strategic committee on 16 December 2022 to join the audit committee and the compensation and talent development committee. On 16 December 2022, Guido Krass was appointed as a member of the strategic committee under the condition precedent of the closing of the acquisition of all the share capital of CENTROTEC Climate Systems GmbH, which took place on 2 January 2023.

The strategic committee is charged in particular with supporting the Board as regards business strategic decisions (including external growth opportunities, whether integrative or transformative).

During 2022, the strategic committee met twice. At these meetings several matters were discussed, including:
- the acquisition of all the share capital of CENTROTEC Climate Systems GmbH;
- the analysis of the M&A strategy and potential;
- the review of Ariston Group's mid-term strategic vision;
- Ariston Group's manufacturing footprint evolution;
- Ariston Group's 2023-25 Master Plan.

ESG committee

- Paolo Merloni
- Marinella Soldi
- Roberto Guidetti.

The ESG committee is charged in particular with supporting the Board as regards: (i) providing guidance to steer the strategy of the Group in terms of its ESG vision and commitments; (ii) approving the Group's materiality matrix along with the ESG plan (targets, activities and KPIs) the Group commits to engage on to deliver against the material topics; (iii) monitoring the ESG plan execution, target achievement and progress of actions, including areas of work required by ESG rating agencies; (iv) approving the Group's ESG communication plan and reporting methods related to ESG issues, such as "Declaration on non-financial issues"; (v) promoting the dissemination of a culture of sustainability in the Group; (vi) supervising the activities of listening, dialogue and involvement of stakeholders.

During 2022, the ESG committee met twice, together with the ESG function, to discuss several topics which included:
- the launch of the 2030 ESG Plan ("Road to 100") in 2023;
- priority initiatives, resourcing plan, governance and budget related to the 2030 ESG Plan;
- the evolution of the reporting commitments (GRI and EU Taxonomy);
- the impact of new acquisitions; and
- the growing regulatory framework.

Also, a specific focus on the decarbonisation strategy was included in the agenda.

Attendance at meetings

During 2022, there were six meetings of the Board. In 2022, Sabrina Baggioni resigned, with effective date 3 November 2022, to take on the role of Chief Digital and Marketing Officer for the Group, which explains the difference in the total number of meetings attended by her.

An overview of the attendance of the individual directors per meeting of the Board and its committees set out against the total number of such meetings is set out below:

Name	Board	In %	Audit committee	In %	Compensation and talent development committee	In %	Strategic committee	In %	ESG committee	In %
Paolo Merloni	6/6	100%					2/2	100%	2/2	100%
Laurent Jacquemin	6/6	100%								
Marinella Soldi	5/6	83%			5/5	100%			2/2	100%
Sabrina Baggioni	5/5	100%	10/10	100%	4/4	100%				
Roberto Guidetti	6/6	100%			5/5	100%			2/2	100%
Francesco Merloni	6/6	100%								
Maria Francesca Merloni	5/6	83%								
Lorenzo Pozza	656	83%	11/11	100%						
Ignazio Rocco di Torrepadula	6/6	100%					2/2	100%		
Andrea Silvestri	6/6	100%	10/11	90.9%						
Paolo Tanoni	6/6	100%								
Enrico Vita	6/6	100%					2/2	100%		

Independence of the non-executive directors

Each non-executive director owes a duty to the Company to properly perform their duties and to act in the Company's corporate interest. Under Dutch law, the Company's corporate interest extends to the interests of all its stakeholders, including its shareholders, creditors and employees. Pursuant to best practice provisions 2.1.7 and 2.1.8 of the Dutch corporate governance code, at most one non-executive director does not have to meet the independence criteria as set out in the Dutch corporate governance code.

In addition, for each shareholder, or group of affiliated shareholders, who directly or indirectly hold more than 10% of the shares in the Company, there is at most one non-executive director who may be affiliated with or representing such shareholders. In total, the majority of the non-executive directors should be independent. The non-executive directors have determined that seven of the ten non-executive directors qualify as independent in accordance with the Dutch corporate governance code.

The Company deviates from best practice provision 2.1.7 (iii) which provides that, in order to safeguard its independence, there should be only one non-executive director affiliated with each shareholder holding more than 10% of the shares in the Company. In 2022, there were three non-executive directors affiliated with Merloni Holding S.p.A.: Francesco Merloni, Maria Francesca Merloni and Paolo Tanoni. Paolo Tanoni resigned from the Board on 2 January 2023.

Diversity policy

The Company recognises the benefits of having a diverse Board and sees diversity at Board level as an important element in maintaining a competitive advantage.

On 1 January 2022, a new Dutch law entered into force which provides that certain large companies, such as the Company, have to set appropriate and ambitious goals in the form of a target to achieve a more balanced ratio between the number of men and women on the Board as well as for a certain category of employees in management positions to be determined by the Company. The Board has to set measurable objectives for achieving these diversity targets. In addition, as of 2023, the Company will have to report to the Dutch Social and Economic Council (*Sociaal Economische Raad*) on an annual basis, within ten months after the end of the financial year, on the number of men and women who are members of the Board and who are part of the category of employees in management positions as determined by the Company as well as on the goal of the Company for diversity in the form of concrete targets, the plan to achieve this goal and, if one or more goals have not been achieved, the reasons for this. This information will also be included in the Company's management report.

Pursuant to the new Dutch Act on gender diversity, which entered into force on 1 January 2022, the Company has to set appropriate and ambitious gender diversity target figures for the executive directors, and non-executive directors within the Board and senior management as below mentioned as management and draw up a plan to achieve these targets. In this context, 'appropriate' means that the targets depend on the number of executive directors and non-executive directors within the Board and management, and on the existing ratio between men and women. The targets for the Board can differ from the targets for management. In this context 'ambitious' means that the targets should aim to make the male-female ratio more balanced than the existing composition.

On 3 November 2022 the Board resolved to adopt, upon proposal of the compensation and talent development committee, a policy regarding diversity in the composition of the Board (includes executive and non-executive Directors) and management. Such policy, starting from the analysis of the current composition of the Board, defines the guidelines by which the Company will maintain an adequate level of diversity of the Board and management (for this purpose defined as employees managing teams of people), addresses the concrete targets relating to diversity within the Company and the commitment to report annually on the results achieved.

The Company strongly believes that a diverse company is a stronger company: this is the over-arching core key message as the Company prepares organizational engagement and enrolment based on two main streams:

- a pathway of cultural transformation to lay down the foundations for a profound change in a multi-year perspective: The cultural transformation pathway is designed to raise awareness and engagement of the management through a number of specific coaching and training initiatives dedicated to the management. This will be coupled with an internal communication campaign to capture unconscious bias and enhance awareness;
- a set of concrete action items to instil a sense of urgency in steering behaviour: Concrete action items will complement the pathway through the introduction of targets in the main HR processes: selection, performance management and succession planning.

The targets proposed by the compensation and talent development committee and approved by the Board on 3 November 2022 are the following:

- Board: since the redomiciliation, and as of 31 December 2022, the Board comprised eleven directors, of whom nine are men (82%) and two women (18 %); the approved target is at least 33% female and at least 33% male by the end of 2025;
- management: the existing ratio as of 31 December 2022 of senior management, defined as "employees managing teams of people", was 263 female and 853 male representing respectively 24% female and 76% male. Following a cultural change pathway, the approved target is at least 30% female and at least 30% male by the end of 2030.

The target for the whole board has been set according to the interpretation of article 166 of the Dutch Civil Code, while waiting for guidance from the Social Economic Council on the amendment that recently entered into force.

Since the setting of those targets on 3 November 2022, no new directors were appointed in 2022, while one director (female) resigned, bringing the ratio as of 31 December 2022 to 19% female and 81% male. However, the diversity policy was taken into account when considering the appointments of Guido Krass and Antonia Di Bella as new non- executive directors. Following those appointments, which were effective as per 3 January 2023, the ratio from that date is 27% female and 73% male.

The mandate of non-executive directors is scheduled to expire at the annual general meeting to be held in 2024. The compensation and talent development committee will prepare the nomination of new directors whilst taking into account the diversity, experience, independence, knowledge and skills to allow the Board as a whole to be effective.

The Company indeed recognises that differences in skills, experience, education, background, nationality, gender and other characteristics of people are important and enable both the Board and the Company as a whole to look at issues and to solve problems in different ways, to respond differently to challenges, and to take more robust decisions. Pursuant to the diversity policy, the Board is committed to ensuring diversity in skills, experience, education, background, nationality, gender and other characteristics of directors, when selecting new candidates for the Board. At the same time, the Board will seek to retain the right balance of requisite expertise, experience, diversity and affinity with the nature and culture of the business of the Company.

Diversity of the Board and its committees

The tables below show the gender and age group of the members of the Board, the non-executive directors and the committees as at 31 December 2022.

	Gender			
	Male	Numbers	Female	Numbers
Board	82%	9	18%	2
Non-executive directors	78%	7	22%	2
Audit committee	100%	2	0%	0
Compensation and talent development committee	67%	2	33%	1
Strategic committee	100%	3	0%	0
ESG committee	67%	2	33%	1

	Age group		
	<30	30-50	>50
Board	0%	0%	100%
Non-executive directors	0%	0%	100%
Audit committee	0%	0%	100%
Compensation and talent development committee	0%	0%	100%
Strategic committee	0%	0%	100%
ESG committee	0%	0%	100%

Share capital and general meeting

Share capital

The articles of association of the Company were amended on 19 December 2022. Since then, the authorised share capital of the Company comprises 600,000,000 ordinary shares and 50,000,000 non-listed ordinary shares, each with a nominal value of €0.01, and 420,000,000 multiple voting shares, each with a nominal value of €0.20. See section "Disclosures pursuant to decree article 10 EU-Directive on takeovers" for further details on the Company's issued share capital as at 31 December 2022.

Meetings of shareholders

At least one annual general meeting shall be held every year, which meeting shall be held within six months after the close of the financial year. Additional general meetings will be held as often as the Board considers such to be necessary and within three months after the Board has considered it to be likely that the Company's equity has decreased to an amount equal to or lower than one-half of its paid-up and called-up share capital, in order to discuss any requisite measures.

Shareholders representing alone or in aggregate at least 10% of the issued and outstanding share capital may request that a general meeting be convened. If no general meeting has been held within eight weeks of the shareholders making such request, the shareholders making such request may, upon their request, be authorised by the district court in summary proceedings to convene a general meeting.

General meetings must be held in the Netherlands in Amsterdam, Rotterdam, The Hague, or Haarlemmermeer (including Schiphol Airport).

All convocations of the general meetings and all announcements, notifications and communications to shareholders shall be made available on the Company corporate website. Notice of a general meeting must be given by at least 42 days prior to the day of the meeting. The notice convening any general meeting must include, among other items, the subjects to be dealt with, the venue and time of the general meeting, the requirements for admittance to the general meeting, the address of the Company's website, and such other information as may be required by Dutch law.

The agenda for the annual general meeting shall list which items are up for discussion and which items are to be voted on. In addition, the agenda shall include such items as have been included therein by the Board or the shareholders. Some items must be dealt with as separate agenda items, such as the adoption of the annual accounts, the discussion of any substantial change in the corporate governance structure of the Company and the allocation of the profits, insofar as these are at the disposal of the general meeting. If the agenda of the general meeting contains the item of granting discharge to the directors concerning the performance of their duties in the financial year in question, the matter of the discharge must be mentioned on the agenda as separate items for the executive directors and the non-executive directors respectively.

Shareholders holding at least 3% of the Company's issued and outstanding share capital may request, by a motivated request, that an item is added to the agenda. Such requests must be made in writing, must either be substantiated or include a proposal for a resolution, and must be received by the Executive Chairman at least 60 days before the day of the general meeting. No resolutions may be adopted on items other than those that have been included in the agenda (unless the resolution would be adopted unanimously during a meeting where the entire issued capital of the Company is present or represented).

Pursuant to the Dutch corporate governance code, if one or more shareholders intend to request that an item be put on the agenda for a general meeting that may result in a change in the Company's strategy, for example as a result of a proposed dismissal of one or more executive directors or non-executive directors, the Board may invoke a reasonable response time that does not exceed 180 days from the moment the Board is informed by one or more shareholders of their intention to put an item on the agenda to the day of the general meeting at which the item is to be dealt with. The relevant shareholder(s) should respect the response time invoked by the Board. The Board shall use the response time for further deliberation and constructive consultation, in any event with the relevant shareholder(s) and shall explore alternatives. At the end of the invoked response time, the Board shall report on the outcome of such deliberation and consultation to the general meeting. The response time may only be invoked once for any given general meeting and shall not apply to an item in respect of which the response time has previously been invoked, or to a general meeting where a shareholder holds at least three quarters of the issued capital as a consequence of a successful public offer.

Voting rights and adoption of resolutions

At general meetings, each ordinary share and non-listed ordinary share confers a right to cast one vote and each multiple voting share confers the right to cast 20 votes. Pursuant to the articles of association, a shareholder casting a number of votes exceeding two times the total number of ordinary shares and non-listed ordinary shares issued and outstanding at the record date for the relevant general meeting (the "Voting Threshold") may never cast a number of votes on its shares exceeding the greater of:

- the Voting Threshold; and
- nine times the total number of ordinary shares and non-listed ordinary shares issued and outstanding at the record date for the relevant general meeting or, if multiple voting shares have been issued and are outstanding, nine times the total number of ordinary shares and non-listed ordinary shares issued and outstanding at the record date for the relevant general meeting multiplied by the percentage of multiple voting shares held by the relevant shareholder compared to the total number of multiple voting shares issued and outstanding at the record date for the relevant general meeting.

Pursuant to Dutch law, as a general rule, no votes may be cast at a general meeting in respect of shares which are held by the Company. Resolutions of the general meeting are passed by an absolute majority of the votes cast at the general meeting, except where Dutch law or the articles of association prescribe a greater majority. The voting rights attached to the shares may only be amended by amendment to the articles of association. The general meeting may pass a resolution to amend the articles of association, but only on a proposal of the Board. Furthermore, a resolution to amend a provision relating to the multiple voting shares and/or the rights and/or obligations of the (meeting of) holders of multiple voting shares is subject to the prior approval of the meeting of holders of multiple voting shares.

Issuance of shares

The Board is the competent body to issue shares for a period of five years from 25 November 2021 and this authorisation can be withdrawn by the general meeting. This competence concerns all non-issued shares of the Company's authorised capital from time to time.

After this five-year period, resolutions to issue shares shall be adopted by the general meeting or, if the general meeting designated the Board to do so, by the Board. A resolution of the general meeting to issue shares or to designate the Board as the competent body to issue shares, can only take place at the proposal of the Board and can only be adopted with an absolute majority of the votes cast. The foregoing also applies to the granting of rights to subscribe for shares, such as options, but does not apply to the issue of shares to a person exercising a previously acquired right to subscribe for shares.

An authorisation by the general meeting to designate the Board can be made each time for a maximum of five years and can be extended each time for a maximum period of five years. An authorisation by the general meeting to designate the Board must specify the number of shares of each class concerned which may be issued pursuant to a resolution of a Board (which may be expressed as a percentage of the issued capital). The general meeting is not authorised to resolve on the issuance of shares or the granting of rights to subscribe for shares to the extent it has authorised the Board as the competent body for such purpose. A resolution of the general meeting to designate the Board cannot be withdrawn, unless otherwise provided in the authorisation. The Company may not subscribe for its own shares on issue.

Pre-emptive rights

Upon the issue of ordinary shares, non-listed ordinary shares and multiple voting shares or the granting of rights to subscribe for ordinary shares, non-listed ordinary shares and multiple voting shares, each holder of shares shall have a pre-emptive right in respect of the shares to be issued, in proportion to the aggregate amount of the shares held by it (relative to the entire issued share capital) with the understanding that a holder of ordinary shares may only subscribe to acquire ordinary shares, a holder of non-listed ordinary shares may only subscribe to acquire non-listed ordinary shares and a holder of multiple voting shares may only subscribe to acquire multiple voting shares. No pre-emptive rights exist in respect of shares issued to a person exercising a previously acquired right to subscribe for shares.

In respect of an issuance of only ordinary shares or the granting of rights to subscribe for ordinary shares, each holder of shares will have a right of pre-emption proportionate to the aggregate amount of its shares (relative to the entire issued share capital), subject to the relevant limitations prescribed by Dutch law and the other provisions pursuant to the articles of association.

In respect of an issuance of only non-listed ordinary shares or the granting of rights to subscribe for ordinary shares, each holder of non-listed ordinary shares will have a right of pre-emption proportionate to the aggregate amount of his non-listed ordinary shares, subject to the relevant limitations prescribed by Dutch law and the other provisions pursuant to the articles of association.

In respect of an issuance of only multiple voting shares, each holder of multiple voting shares will have a right of pre-emption proportionate to the aggregate amount of his multiple voting shares, subject to the relevant limitations prescribed by Dutch law and the other provisions pursuant to the articles of association.

Exceptions to these pre-emptive rights include: (i) the issue of shares against a contribution in kind other than in cash, (ii) the issue of shares to employees of the Company or of a group company (*groepsmaatschappij*) pursuant to an employee share scheme or as an employee benefit, and (iii) the issue of shares to persons exercising a previously granted right to subscribe for shares.

The Board will be the competent body to restrict or exclude pre-emptive rights for a period of five years from 19 December 2022. After this five-year period, pre-emptive rights relating to shares may be restricted or excluded by the general meeting or, if the general meeting designated the Board to do so, by the Board.

An authorisation by the general meeting to designate the Board can be made each time for a maximum of five years and can be extended each time for a maximum period of five years. Unless otherwise provided in the authorisation, it may not be withdrawn. A resolution of the general meeting to restrict or exclude pre-emptive rights or designate the Board as the competent body to restrict or exclude pre-emptive rights requires a majority of not less than two-thirds of the votes cast, if less than 50% of the issued share capital of the Company is represented at the meeting.

A resolution of the Board (or, if applicable, the general meeting) to restrict or exclude the pre-emptive rights relating to multiple voting shares will be subject to the approval of the meeting of holders of multiple voting shares granted by resolution adopted with more than 50% of the votes in the meeting of holders of multiple voting shares.

Major shareholders

As at 31 December 2022, the voting rights attached to the issued shares in the capital of the Company held by Merloni Holding S.p.A. represented 74.03% and by Amaranta S.r.l. represented 18.70%. The market was entitled to 7.27% of the voting rights. As at 31 December 2022, the Company held 1,500,000 shares in its own capital. Pursuant to Dutch law, as a general rule, no votes may be cast at a general meeting in respect of shares which are held by the Company.

As at 31 December 2022, the number of shares held by Merloni Holding S.p.A. represented 65.65%, held by Amaranta S.r.l. represented 8.95% and held by the market represented 25.40%. of the total number of issued shares.

On 2 January 2023, the Company issued 22,095,194 ordinary shares and 19,321,473 non-listed ordinary shares to CENTROTEC SE in connection with the acquisition by the Company of all shares in the capital of CENTROTEC Climate Systems GmbH.

For the foreseeable future, as a result of the multiple voting shares and the concentration of ownership, Merloni Holding S.p.A. will continue to be able to control or substantially influence matters requiring approval by the general meeting, including the appointment and dismissal of directors, directors' remuneration, dividends distributions, the amendment of the articles of association, capital increases, mergers and consolidations, even where Merloni Holding S.p.A. holds less than 50% of the ordinary shares.

Merloni Holding S.p.A. is controlled by Paolo Merloni, who is the Executive Chairman of the Company, and Amaranta S.r.l. is controlled by Maria Francesca Merloni, who is a non-executive director of the Company. Paolo Merloni and Maria Francesca Merloni are siblings. As directors, both Paolo Merloni and Maria Francesca Merloni owe a fiduciary duty to the Company's stakeholders and they must act in a manner that they reasonably believe to be in the best interests of the Company's stakeholders. As shareholders, Paolo Merloni and Maria Francesca Merloni are entitled to direct the vote of their shares in their own interests, which may not always be in the interests of the Company's stakeholders generally.

The articles of association do not provide for any specific provisions beyond those required by applicable law and regulation to ensure that control by the major or controlling shareholders is not abused.

Compliance with the Dutch corporate governance code

The Dutch corporate governance code applies to the Company as the Company has its seat in the Netherlands and its ordinary shares are listed on Euronext Milan.
The Dutch corporate governance code is based on a 'comply or explain' (*pas toe of leg uit*) principle. Accordingly, companies are required to disclose in their board report whether or not they are complying with the various best practice provisions of the Dutch corporate governance code that are addressed to the directors. If a company deviates from a best practice provision in the Dutch corporate code, the reason for such deviation must be properly explained in its directors' report.

As per 31 December 2022, the Company complies with the principles of the Dutch corporate governance code, except for the following principles of the Dutch corporate governance code:

- Best practice provision 2.1.7 (independent directors): the Company deviates from best practice provision 2.1.7(iii) which provides that, in order to safeguard its independence, there should be only one non-executive director affiliated with each shareholder holding more than 10% of the shares in the Company. In 2022 three non-executive directors were affiliated with Merloni Holding S.p.A.: Francesco Merloni, Maria Francesca Merloni and Paolo Tanoni. It is believed, however, that the involvement of both Francesco Merloni and Maria Francesca Merloni proves the commitment of the Merloni family to participate in the Company with spirit of homogeneity and compactness, in order to ensure continuity of control over the Company. It is believed, that Paolo Tanoni's deep knowledge of the Company as well as his overall knowledge of laws and regulations made him a most valuable non-executive director. In addition, Andrea Silvestri was not considered independent pursuant to best practice provision 2.8(iii), since he acted as adviser to the Group in the year prior to his appointment. Both Paolo Tanoni and Andrea Silvestri resigned from the Board on 2 January 2023.

- Best practice provision 2.2.4 (succession): the Company partly deviates from best practice provision 2.2.4 which provides that the supervisory board should draw up a retirement schedule in order to avoid, as much as possible, supervisory board members retiring simultaneously and that the retirement schedule should be published on the website. All directors currently in office will retire simultaneously at the end of their term after the annual general meeting to be held in 2024, except for Guido Krass and Antonia Di Bella, who will retire at the end of their term after the annual general meeting to be held in 2025. The Company will not use a retirement schedule because the Company wishes to adhere to common practice in Italy that members of the Board are appointed for a term of three years.
- Best practice provisions 2.2.6 (evaluation by the supervisory board) and 2.2.7 (evaluation of the management board): the Company does not comply with best practice provisions 2.2.6 and 2.2.7, which provide that the Board should evaluate its own function, the functioning of the various committees of the Board and of the individual Board members at least once per year. The Board held the view that a self-assessment does not provide any significant benefits, as it is not expected that Board members will be critical about their own functioning. The Board is also of the view that involving a third-party adviser will not change this and this would just generate a cost for the Company.
- Best practice provision 2.3.2 (establishment of committees): the Company does not comply with best practice provision 2.3.2, which provides that if the Board consists of more than four members, it shall appoint an audit committee, a remuneration committee and a selection and appointment committee. The Board has combined the functions and the responsibilities of the remuneration committee and the selection and appointment committee in one committee, the compensation and talent development committee. The Company feels that there would be no benefits for the Company, given its size and its organisational structure, in splitting the compensation and talent development committee as prescribed under the Dutch corporate governance code.
- Principle 2.3.6 of the Dutch corporate governance code (vice-chairman of the Board): the Company does not comply with best practice provision 2.3.6, which provides that the vice-chairman of the Board should deputise for the Chair when the occasion arises. Pursuant to the articles of association, the Board may designate one or more other directors as vice-chair of the Board. However, so far, the Company feels that there would be no benefits for the Company, given its size and its organisational structure, in such an appointment.
- Best practice provision 3.1.2 v. (variable remuneration): the Company does not fully comply with best practice provision 3.1.2, as the unvested phantom stock options have been converted into restricted share units to which no performance metrics are applied. As the original phantom stock option plans were granted before the initial public offering of the Company, the Company elected to convert the outstanding unvested phantom stock options under the 2019 and 2020 plans into RSUs. The RSUs are intrinsically and functionally linked to the continuation of the Beneficiary's Relationship with the Company or its Subsidiaries at vesting. The Company believes a conversion into RSUs was more appropriate given the nature of the existing plan. The converted RSUs partially vested in 2022 and the remainder is expected to vest in 2023 and the Company intends to comply with the specific best practice provision after the converted RSUs have vested. All restricted share units granted since 2021 are linked to performance conditions.
- Best practice provision 3.2.3 (severance payments): the Company does not comply with best practice provision 3.2.3, which provides that the remuneration of executive directors in the event of dismissal should not exceed one year's salary (the 'fixed' remuneration component). The employment agreement of the Executive Chairman provides for the standard indemnity upon termination of the relationship as set out in the applicable collective bargaining agreement, which pay-out depends on the duration of the employment agreement and could be more than one-year salary. The management agreement of the Chief Executive Officer provides that, upon termination by the Company and existing certain conditions, the Chief Executive Officer is entitled to a one-off severance equal to an amount of up to two years of his remuneration as manager (net of any amount paid as non-compete obligation consideration). The Company wishes to respect the terms and conditions of the aforementioned agreements, since these agreements were entered into by the Company before the initial public offering of the Company.

Disclosures pursuant to decree article 10 EU-Directive on takeovers

In accordance with the Dutch Takeover Directive (Article 10) Decree (*Besluit artikel overnamerichtlijn*, the "Decree"), the Company makes the following disclosures:

a) At 31 December 2022, the issued share capital of the Company consisted of 106,183,532 ordinary shares with a nominal value of € 0.01 each, representing approximately 2.31 % percent of the aggregate issued share capital, and

225,000,000 multiple voting shares with a nominal value of € 0.20 each, representing approximately 97.69% of the aggregate issued share capital. No non-listed ordinary shares were issued as at 31 December 2022.

For information on the rights attached to ordinary shares, non-listed ordinary shares and multiple voting shares, reference is made to the articles of association which can be found on the Company's website. To summarise, the rights attaching to ordinary shares, non-listed ordinary shares and multiple voting shares comprise pre-emptive rights upon the issue of shares, the right to attend to the general meetings of shareholders of the Company and to speak and vote at such meetings and to resolve on and the entitlement to the distribution of such amount of the Company's profit as remains after allocation to the reserves. Ordinary shares, non-listed ordinary shares and multiple voting shares rank *pari passu* and will have equal rights and obligations with respect to all matters, with the exceptions as set out in the articles of association including the entitlement to voting rights as set out in article 26.1 of the articles of association, the conversion reserve and the liquidation distribution referred to in article 36.3 of the articles of association.

b) The Company has imposed no limitations on the transfer of ordinary shares. Article 16 of the articles of association provide for transfer restrictions for multiple voting shares (right of first refusal). If a holder of multiple voting shares intends to transfer to any third party (be it a shareholder or not) one or more multiple voting shares, the transferor shall have the obligation, in accordance with the procedure outlined in article 16 of the articles of association, to offer a right of first refusal to the remaining holders of multiple voting shares.

c) For information on participations in the capital of the Company for which a disclosure obligation exists under Sections 5:34, 5:35 and 5:43 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), please see the section "Major shareholders" in this governance report. There you will find a list of shareholders who are known to the Company to have holdings of three percent or more at the stated date.

d) No special control rights or other rights accrue to shares in the capital of the Company other than that a multiple voting share confers the right to cast 20 votes, all in accordance with the terms and conditions as set out in article 26.1 of the articles of association. Reference is made to paragraph "Share capital and general meeting", subparagraph "Voting rights and adoption of resolutions" of this Corporate Governance section.

e) A mechanism for verifying compliance with a scheme allowing employees to subscribe for or to acquire shares in the capital of the Company or a subsidiary if the employees do not arrange for such verification directly is not applicable to the Company.

f) No restrictions apply to voting rights attached to the shares in the capital of the Company, nor are there any deadlines for exercising voting rights other than the restriction of the number of votes that may be cast on multiple voting shares as set out in article 26.1 of the articles of association describing the Voting Threshold and further explained in paragraph "Share capital and general meeting", subparagraph "Voting rights and adoption of resolutions" of this Corporate governance section. Except by virtue of the different voting rights attached to the ordinary shares and the multiple voting shares and the application of the Voting Threshold, none of the shareholders will have any voting rights different from any other shareholders.

g) The Company is not aware of the existence of any agreements with shareholders of the Company which may result in restrictions on the transfer of shares or limitation or voting rights, other than a shareholders' agreement entered into on 26 October 2021. The shareholders agreement provides as follows:
   (i) Merloni Holding S.p.A. shall procure that one person indicated by Amaranta S.r.l. is appointed as director so long as Amaranta S.r.l. holds at least 7% of issued share capital of the Company;
   (ii) should Merloni Holding S.p.A.:
      a. decide to sell a number of multiple voting shares so that it loses control over the Company, then Amaranta S.r.l. will be entitled to tag its multiple voting shares to the sale of multiple voting shares held by Merloni Holding S.p.A.;
      b. receive an offer for the entirety of the outstanding multiple voting shares, then Merloni Holding S.p.A. will be entitled to drag the multiple voting shares held by Amaranta S.r.l.;
   (iii) Merloni Holding S.p.A. shall be entitled to acquire from Amaranta S.r.l. 6,000,000 multiple voting shares in exchange for the same amount of ordinary shares by virtue of a call option; and
   (iv) each of Merloni Holding S.p.A. and Amaranta S.r.l. shall inform the other party in case it wishes to convert its multiple voting shares into ordinary shares.

h) The rules governing the appointment and dismissal of directors are stated in the articles of association. All directors are appointed by the general meeting. The Board nominates a candidate for each vacant seat. A nomination by the

Board will be binding as described above in the section "Board". Directors are appointed for a period of time to be determined by the general meeting, ending not sooner than immediately after the general meeting held in the first year after the year of their appointment and not later than immediately after the general meeting held in the fourth year after the year of their appointment.

i) The articles of association allow the Company to cooperate in the issuance of registered depositary receipts for shares, but only pursuant to a resolution to that effect by the Board. No depositary receipts having been issued for shares in its capital with the cooperation of the Company.

The general meeting may at any time dismiss or suspend any director. If the Board proposes the dismissal of a director to the general meeting, the general meeting can resolve upon such dismissal by resolution adopted by an absolute majority of the votes cast.

If the Board has not made a proposal for the dismissal of a director, the general meeting can only resolve upon the dismissal of such director by resolution adopted by an absolute majority of the votes cast, representing more than half of the issued capital of the Company. Executive directors may at all times also be suspended by the Board. A resolution of the Board to suspend the Executive Chairman must be adopted with a majority of two thirds of the votes cast in a meeting where all directors, other than the Executive Chairman, are present or represented. If either the Board or the general meeting has resolved upon a suspension of a director, the general meeting shall within three months after the suspension has taken effect, resolve either to dismiss such director with due observance of the provisions in the articles of association, or to terminate or continue the suspension, failing which the suspension shall lapse. A resolution to continue the suspension may be adopted only once and in such event the suspension may be continued for a maximum period of three months commencing on the day that the general meeting has adopted the resolution to continue the suspension. If the general meeting has not decided to terminate or to continue the suspension within the required period, the suspension shall lapse.

The rules governing an amendment of the articles of association are included in article 35 of the articles of association and require a resolution of the general meeting, but only on a proposal by the Board. The prior approval of the meeting of holders of multiple voting shares is required for an amendment of a provision relation to the multiple voting shares and/or the rights and/or the obligations of the (meeting of) holders of multiple voting shares.

j) The general powers of the Board are stated in article 18 of the articles of association. Pursuant to article 21.1 of the articles of association, the general authority to represent the Company is vested in the Board and the Executive Chairman. The Board has granted specific representation powers to Laurent Jacquemin, in his capacity of Chief Executive Officer of the Company.

According to article 7.1 of the articles of association, the Board will be the competent corporate body to issue the shares for a period of five years with effect from 19 December 2022. The Board is also authorised to limit or exclude pre-emptive rights of shareholders on any issue of shares or granting rights to subscribe for shares, for the same term. After the five-year term, shares may be issued pursuant to a resolution of the general meeting unless the Board is designated to do so by the general meeting. Such designation can be made each time for a maximum period of five years and can be extended each time for a maximum period of five year. A designation must determine the number of shares of each class concerned which may be issued pursuant to a resolution of the Board. The resolution of the general meeting to designate the Board as the body authorised to issue shares cannot be withdrawn by the general meeting, unless otherwise provided in the authorisation. The body resolving to issue shares must determine the issue price and the other conditions of issuance in the resolution to issue. After the five- year term, pre-emptive rights may be restricted or excluded by a resolution of the general meeting. The general meeting may designate this competence to the Board for a period not exceeding five years, provided that the general meeting has also authorised the Board to issue shares. Unless otherwise stipulated at its grant, this authorisation cannot be withdrawn.

The Company is entitled to acquire fully paid-up shares in its capital. The terms and conditions for the acquisition of shares by the Company in its capital are set out in article 9 of the articles of association.

k) The Company is not a party to any significant agreements which will take effect, will be altered or will be termination upon a change of control of the Company as a result of a public offer within the meaning of section 5:70 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), provided that certain of the loan agreements entered into by the Company contain clauses that, as is customary for financing agreements of similar type, may require early repayment or termination in the event of a change of control of the Company.

The Company did not enter into any agreement with a director or employee of the Company providing for a payment upon the termination of employment as a result of a public offer within the meaning of section 5:70 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht)*.

5.4 Remuneration report

Introduction

This remuneration report summarises the guidelines and the principles followed by the Company in order to define and implement the remuneration policy. In addition, this remuneration report provides the remuneration paid to executive directors and non-executive directors for the year ended 31 December 2022.

The remuneration of the executive directors comprises fixed remuneration (base salary, fees, benefits and perquisites) and variable remuneration (short-term incentive and long-term incentive) and the remuneration of non-executive directors comprises an annual fixed fee.

The remuneration policy for the directors was adopted by the general meeting on 11 November 2021 and became effective on 26 November 2021, the date of admission of the Company’s shares on Euronext Milan (“Admission”). The remuneration policy aims to contribute to the Group's business strategy and is expected to enable the Company to achieve its business objectives. The non-executive directors are responsible for the implementation and monitoring of the remuneration policy.

In accordance with Dutch law, the remuneration policy will be submitted to the general meeting at least every four years, as well as each time in case of amendments to the remuneration policy. Pursuant to the Company's articles of association, the resolution of the general meeting to adopt and amend the remuneration policy requires an absolute majority of the votes cast.

The remuneration report for 2021 was submitted to the annual general meeting held in April 2022. 96.71% of the votes were cast for the remuneration report and 3.29% against.

Feedback received from investors identified two main areas of concern:

i. the awarding of a discretional bonus to the CEO in the course of 2021. The Company believes that this was flagged by mistake, as the circumstance was mentioned in the remuneration report for the year but pertained to a time of the year when the Company was still 100% private.

ii. the lack of an explicit quantitative indication of thresholds and targets, on which the variable compensation was calculated. The management of the Company, after careful consideration, determined that the competitive risks associated with exposing the Company’s expectations – which in time would result in offering an insight on how the company budgets are prepared – would outweigh the advantages of transparency towards shareholders, and ultimately hurt their economic interest.

Remuneration Executive Directors

The objective of the remuneration policy for the executive directors is to attract, reward and retain the necessary leadership talent, in order to support the execution of the Group's strategic objectives, whilst for the non-executive directors the remuneration policy aims at rewarding them appropriately for their work based on the market competitive fee levels.

The authority to establish the remuneration of the executive directors is vested with the non-executive directors, with due observance of the remuneration policy and applicable provisions of law. Even though the Company is not in principle in favour of making exceptions to the principles underlying the remuneration policy, the non-executives directors shall be allowed to temporarily derogate from the remuneration policy in exceptional circumstances as defined by the Dutch Civil Code, such as, for example, the need to attract and/or retain highly qualified key managerial competences and retain market share in a highly competitive market, serving the long-term interest and sustainability of the Company and ensuring its viability.

Remuneration principles

The remuneration policy is built on the following six principles:

- **Align short and long-term strategy**: through the variable incentives for executive directors, the Company aims to align the short-term yearly objectives with the long-term goals of the Group. This is reflected in the grant of long-term variable incentives, taking into account a three-year vesting period and lock-up obligations.
- **Pay for performance**: the remuneration must reinforce the performance driven culture by rewarding top performers.
- **Differentiating by experience and responsibility**: the remuneration aligns with the responsibilities, experience, competence and performance of the directors. In addition, in determining the remuneration policy the employment conditions of the Group are taken into account.
- **Simple and transparent**: this principle is reflected through the remuneration policy being based on simple and custom mechanisms. The Company is transparent in relation to the maximum remuneration that could be awarded to directors. Furthermore, the achievement of the targets can be verified in publicly disclosed and easily accessible performance results.
- **Risk prudence**: the remuneration structure aims to avoid incentives that encourage unnecessary or excessive risks that could threaten the Group's value.
- **Compliance**: the remuneration policy complies with applicable laws and regulations. The Group adopts the highest standards of corporate governance.

The compensation philosophy of the Group is therefore to pay for performance, to be market driven, and to be fair and objective.

Market perspective

Although the Group pursues its remuneration policies independently and such policies are not benchmarked against a group of peers, market perspective is one of the factors that the non-executive directors take into account when determining adequate remuneration levels to attract and retain executive directors. The Company believes that the periodical review of the remuneration policies adopted by companies of comparable size and economic performance may be a useful tool to understand its competitive positioning on the labour market and attractiveness of high quality human capital, which the Company deems a key driver for growth, innovation and development.

The Remuneration Policy, even if defined based on the Company specific strategies and long-term objectives, is nonetheless in line with companies of comparable size and economic performance.

Remuneration components Executive Directors

The remuneration policy relating to executive directors constitutes the key strategic component to attract and retain human capital in today's tight market.

In line with the fundamental objective of achieving the most effective reconciliation of 'profitability' and 'sustainability' in the long-term, the executive director’s remuneration is aimed at supporting a managerial growth strategy oriented towards the long-term: long-term is key in the Group’s reference market (i.e. sustainable comfort solutions for hot water and space heating market) where R&D projects requiring significant investment in terms of time and cost, are to be pursued with continuity and in the long run to be successful. The remuneration policy aims, therefore, not only at the adequate remuneration of the executive directors, but also at their adequate retention, as it is considered, in principle, an important element, consistent with the fundamental objective of maximum sustainable profitability in the long-term.

The remuneration policy for executive directors consists of:

(i) Fixed remuneration
- base salary and fees
- benefits and perquisites

(ii) Variable remuneration
- short-term incentive ("MBO")
- long-term incentive ("LTI Plan")

Component	Purpose	Terms and conditions
Base salary and fees	Compensate for the individual's experience, skills, duties, responsibilities and the contribution of the individual within the Company.	Fixed remuneration is: 1. internally consistent 2. externally competitive 3. reviewed periodically
Benefits and perquisites	Provides value to the professional working life in relation to status, role complexity and grading.	Benefits include health insurance, disability and life insurance, a directors' and officers' liability insurance (D&O), mobility allowance or travel expenses when appropriate, and employee benefits plans as offered at any given point.
MBO	Ensure executive directors' alignment with focus on the annual business plan as set by the Board.	The short-term incentive is conditional upon the achievement of the following performance targets: 1. EBIT Adjusted (60%) 2. Turnover (20%) 3. Product replacement Rate (20%)
LTI Plan	Achieve growth results in medium and long-term and align executive directors' interests with the pursuit of the priority objective of sustainable creation of value for shareholders.	The long-term incentive is conditional on the achievement of the following performance targets: 1. EBIT Adjusted/Net Sales matrix (70%) 2. Relative TSR (15%) 3. ESG objective (15%)

Note: the terminology Net Revenue, Turnover and Net Sales are to be considered equivalent.

Simulated scenarios of the possible outcomes of the variable incentive components and their effect on the remuneration of the executive directors are conducted in accordance with the Dutch Corporate Governance Code.

Fixed remuneration

The purpose of the fixed remuneration is to compensate the executive directors for their individual experience, skills, duties responsibilities and their contribution to the Company. Such compensation of each executive director is a fixed cash compensation paid on a monthly basis, which includes holiday allowances and other local statutory requirements per country.

The Company ensures that the base salary and fees are: (i) internally consistent (i.e. in line with the role), (ii) externally competitive and (iii) reviewed periodically.

Each year the compensation and talent development committee reviews the base salary and decides whether circumstances justify adjustments.

All executive directors are beneficiaries of a directors and officers' liability insurance policy ("D&O") at market conditions for this type of coverage. The insurance policy covers losses resulting from claims made against the executive directors for wrongful acts committed in their respective functions and for which they have been recognised accountable. Executive directors are also entitled to other benefits such as health insurance, disability and life insurance, mobility allowance or travel expenses, representation costs and to participate in whatever all-employee benefits plans may be offered at any given point.

Additional benefits and perquisites may be offered to the executive directors in case of a relocation or an international assignment, such as relocation support, storage costs, expatriation allowance, housing support, reimbursement of flight costs, reimbursement of costs of temporary living arrangements and other benefits which reflect local market practice, all in accordance with the applicable mobility policy.

Neither the Company nor any of its subsidiaries shall grant personal loans, guarantees or the like to executive directors except within the framework of its usual business operations, on conditions which apply to all employees and with the prior approval of the Board. No remission of loans to the executive directors shall be granted.

Various factors may be considered when determining any annual base remuneration changes, including, but not limited to, business performance, personal performance, the scope and nature of the role, salary increases of the Group's global workforce, relevant market benchmark data and local economic indicators, such as inflation and cost-of-living changes, to ensure that the remuneration is fair, sensible and market competitive. The actual annual base remuneration and any annual increases will be disclosed in the annual report.

Short-term incentive

The short-term incentive (the management by objective scheme; "MBO") aims to ensure that the executive directors, and other selected eligible employees, are well incentivised to achieve the Group’s quantitative performance targets in the short-term. The purpose of the MBO is to ensure executive alignment with and focus on the annual business plan as set by the Board. At the beginning of each year, the compensation and talent development committee proposes to the Board (i) the base amount of the bonus for each executive director and (ii) targets ranges, based on the Group business plan, whereby the pay-out is equal to 100% of the base amount if the targets as per the business plan are met, while the pay-out will range from 50% to 150% of the base amount depending on whether the actual performance is below the target but within a selected gate (threshold) or above the target.

At the beginning of the following year, the compensation and talent development committee reviews the performances against the targets, based on the financial records of the Group as audited by the external auditor.

There are three performance indicators as follows:
(i) Target A identifies the Group EBIT adjusted (60% of the global performance target)
(ii) Target B identifies the Group turnover (20% of the global performance target);
(iii) and Target C identifies the product replacement rate, measuring the ratio between annual warranty intervention and replacement, and annual sales (20% of the global performance target). This target is designed to push quality of the products sold as sustainable quality contributes to the Group performance in the long run. Accordingly, a portion of the short-term incentive contributes to the Group's strategy, the long-term interests of the Group and its sustainability.

The short-term incentive of the executive directors is based on financial and economic performance measures and, therefore, without directly taking into account specific qualitative performance objectives that are non-financial and/or related to corporate social responsibility. This choice is based on the consideration that socially responsible behaviours, which the Group is inspired by with the utmost commitment and rigour, should in any case be reflected, in the long-term, in the financial results of the Company and the Group. If the short-term incentive targets are met, the short-term incentive is paid the year following the relevant performance period once the predetermined performance objectives are verified.

The MBO pay-out will be nil if: (i) none of the performance gates (threshold) are reached; or (ii) net profit of the year as reported in the consolidated financial statement will be equal to zero, or a net loss for the period will be reported.

Long-term incentive

LTI Plan

Executive directors are eligible for grants under the Company's long-term incentive plan ("LTIP"), as amended from time to time, and as approved by the general meeting.

LTIP aims at providing incentives for the executive directors – and other selected eligible Group's employees identified according to the banding model adopted by the Company – to achieve growth results in the medium and long-term and at ensuring executive alignment with the pursuit of the key objective of sustainable creation of value for shareholders.

The long-term incentive awards under the LTI Plan are made available annually (rolling grants) in the form of performance share units (PSU).

Usually at the beginning of each year, the compensation and talent development committee proposes to the Board: (i) the size of the grant for each executive director, with a maximum value at target not exceeding 150% of the base remuneration; and (ii) the target pay out opportunity, for each executive director set at 50% for the threshold achievement, at 100% for target achievement and at 150% in case of over performance.

The number of PSUs to be granted to the executive directors is determined dividing the individual grant by the average closing price of the Company's shares on the 30 days before the grant.

The performance share units are conditional on: (i) a three-year vesting period, (ii) continuous engagement and (iii) performance testing. The number of performance share units that vest after three years is dependent on the achievement of selected targets.

There are three performance targets as follows:

(i) EBIT Adjusted/net sales matrix (70% of the global performance target)

(ii) relative total shareholders return ("TSR"), measuring the performance of the ordinary shares vis-à-vis the shares of selected competitors (15% of the global performance target)

(iii) an environmental social governance ("ESG") objective, measuring the percentage of renewables and high efficiency products sold out of the total turnover generated from the sale of products of the Thermal Comfort Division (15% of the global performance target).

The time frame for assessing performance foresees a three-year vesting period and a lock-up provision of two years on an amount equal to 30% of the Shares accrued for the executive directors. As a result, the LTI plan is clearly linked to the long-term interests of the Company.

Phantom stock option plan

Until Admission, the long-term incentive plan provided for the assignment of phantom stock options to executive directors. This benefit plan gave the executive directors a deferred cash bonus measured on the basis of the value of the Company. The phantom stock options had a vesting period of three years with a subsequent exercise period of four years. The pay-out was calculated on the increase of the equity of the Company over time.

Upon Admission this plan was terminated and the outstanding phantom stock options were converted (a) at the option of the beneficiaries, into ordinary shares at the offer price of the Company's initial public offering or cash (in relation to vested phantom stock options) and (b) into restricted share units (in relation to unvested phantom stock options), with a vesting period of three years from the date of the original grant (phantom stock options granted in 2019 vest in 2022, phantom stock options granted in 2020 vest in 2023). The Company believes a conversion into RSUs was more appropriate given the nature of the existing plan, while a new long-term incentive plan has been approved by the general meeting providing for awards in the form of performance share units for the 2021 LTI.

The executive directors have chosen to convert the vested phantom stock options entirely into ordinary shares.

Scenario analysis

When formulating the remuneration policy and before determining the individual remuneration of the executive directors, the non-executive directors will conduct analyses of the possible results of the variable remuneration components and the way in which this affects the remuneration of the executive directors.

The non-executive directors believe the remuneration policy is effective in terms of establishing a correlation between the Company's strategic goals and the chosen performance criteria, as the main key performance criteria of the LTI Plan (i.e. EBT/net revenue matrix, TSR and an ESG objective), which represent a significant part of the executive directors' remuneration package, support both the Company's strategy and value creation for the shareholders.

While the three performance indicators act as independent indicators, in the event that all three long-term threshold performance targets are not achieved, there will be no variable pay vesting or pay-out for executive directors for the relevant period.

Severance

The management agreement of the chief executive officer was entered into on 4 May 2017, several years before the Admission. The management agreement provides that, upon termination by the Company and subject to conditions, the chief executive officer is entitled to a one-off severance equal to an amount of up to two years of his remuneration as manager (net of any amount paid as non-compete obligation consideration). The remuneration used for calculating the severance includes the base salary and the short-term incentive. Following Admission, the Company has elected to respect and maintain the agreement signed in 2017.

The employment agreement of the executive chair provides for the standard indemnity upon termination of the relationship as set out in the applicable collective bargaining agreement. The applicable collective bargaining agreement provides that upon termination there are two kinds of pay-out:

- a so-called *'trattamento di fine rapporto'* whereby, regardless of the reason of termination, the executive chair is entitled to a pay-out, for each year of duration of the employment agreement, equal to the annual remuneration (whether fixed or variable) paid each year divided by 13.5 unless redirected to the private collective pension scheme; and
- an additional indemnity in case of unjust dismissal, of an amount ranging from four to twenty-four monthly wages depending upon the duration of the employment agreement.

Right to reclaim variable remuneration

In accordance with Dutch law, the non-executive directors may adjust the outcome of variable compensation of the executive directors if the pay-out would, in their view, be unacceptable based on reasonability and fairness criteria (a 'malus'). The Company can also claim back variable payments (in whole or in part) if the pay-out was based on incorrect information about the achievement of the targets ('claw back').

2022 remuneration of the Executive Directors

The remuneration of the executive directors is in accordance with the remuneration policy. There are no loans, advances or guarantees provided by the Company or any undertaking belonging to the same group of the Company to or on behalf of an executive director.

The following table summarise the remuneration received by the executive directors for the years ended 31 December 2022 and 2021:

Director, Position, Year		Fixed remuneration			Variable remuneration		Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
		Base salary	Fees	Benefits and Perquisites	Short-term incentive	Long-term incentive*				
Paolo Merloni	2022	1,000	80	38	666	1,696 (1)	-	43	3,523	33% Fixed 67% Variable
Executive Chairman	2021	900	70	33	720	1,114(2)	-	42	2,879	36% Fixed 64% Variable
Laurent Jacquemin	2022	900	50	79	555	1,017 (3)	-	-	2,601	40% Fixed 60% Variable
Chief Executive Officer	2021	750	48	82	480	668(4)	100(5)	-	2,128	41% Fixed 59% Variable

Note:

- *Base salary represents for the executive chairman the base salary and the executive director fee. The compensation and talent development committee on 17 February 2022 unanimously resolved, based on the results of the benchmarking carried out on the executive directors' compensation, to align the base salary to the market and to rebalance the pay mix. Therefore, the following proposal for the executive directors' compensation for 2022 was approved to be presented to the Board: executive chairman base salary at € 1million with a short-term incentive of € 600k and CEO base salary at € 900k and short-term incentive at € 500k. The Board of Directors of 2 March 2022 unanimously approved the proposal.*
- *Fees represents the Board fee and the committee membership fees.*
- *The short-term incentive represents the pay-out for the year of performance*
  The long-term incentive value is calculated as follows: (i) for 2022, the LTI is valued referring to the share price of 30 December 2022 at close of trade (€ 9.62) (and it refers to the vesting of the 2019 converted LTI phantom stock option plan) and (ii) for 2021, LTI is valued referring to the share price of 30 December 2021 at close of trade (€ 10.14) (and it refers to the vesting of the 2018 converted LTI phantom stock option plan).

(1) *LTI accrued value based on IFRS2 expenses is € 1,807 thousand*
(2) *LTI accrued value based on IFRS2 expenses is € 1,125 thousand*
(3) *LTI accrued value based on IFRS2 expenses is € 1,084 thousand*
(4) *LTI accrued value based on IFRS2 expenses is € 678 thousand*
(5) *Extraordinary item refers to a special award, approved by the Board on 2 March 2022 at the recommendation of the compensation and talent development committee, in accordance with their authority to temporarily deviate from the remuneration policy in case of exceptional circumstances. The Company proposed this award to recognise the extraordinary contribution and involvement of the CEO in the very peculiar circumstances of the preparation of a listing, successfully leading the Company through the challenges of an IPO.*

Short-term incentive

To determine the Executive Directors' short-term remuneration, the compensation and talent development committee selected and proposed to the Board the following metrics as performed by the Executive Directors in 2022:

KPI 2022	Weight
Group EBIT adjusted (€ million)	60%
Group turnover (€ million)	20%
Product replacement rate	20%

Bandwidth pay-out level		
Minimum	On-target	Maximum

The outcome of the 2022 short-term incentive performance reflects the fact that the Board delivered on 2 March 2023.

Long-term incentive

Until Admission, the executive directors participated in the long-term incentive plan providing for phantom stock. Upon Admission this plan was terminated and the outstanding phantom stock options were converted (a) at the option of the beneficiaries, into ordinary shares at the offer price of the Company's initial public offering or cash (in relation to vested phantom stock options) and (b) into restricted share units (in relation to unvested phantom stock options), with a vesting period of three years from the date of the original grant (phantom stock options granted in 2019 vest in 2022, phantom stock options granted in 2020 vest in 2023). In addition, a new long-term incentive plan has been approved by the general meeting providing for awards in the form of performance share units for the 2021 LTI.

The executive directors have chosen to convert the vested phantom stock options entirely into ordinary shares.

The table below provides an overview of the conversion result of the phantom stock options granted in 2016, 2017 and 2018 that vested before Admission. Settlement of the conversion of these phantom stock options took place in the first half of 2022.

Executive director	Number of ordinary shares
Paolo Merloni	483,584
Laurent Jacquemin	347,817

The table below provides an overview of the conversion result for the phantom stock options granted in 2019 and 2020 that were unvested at Admission and converted into restricted share units at the offer price of the Company's initial public offering and the 2021 and 2022 grant of performance share units.

Director, position	Main conditions of performance share plans				Information regarding 2022					
					Opening balance	During the year		Closing balance		
	Plan	Performance period	Vesting start date	Vesting end date	Performance shares on 1 January 2022(1)	Performance shares awarded	Performance shares vested	Shares vested	Share awarded and unvested	Unexercised share
Paolo Merloni *Executive Chairman*	2019	2019-2021	31.03.2019	31.03.2022	176,268	0,000	176,268	176,268	0	176,268
	2020	2020-2022	31.03.2020	31.03.2023	156,737		0	0	156,737	0
	2021	2021-2023	31.03.2021	31.03.2024	112,000		0	0	112,000	0
	2022	2022-2024	28.04.2022	31.03.2025	0	104,948(2)	0	0	104,948	0
Laurent Jacquemin *Chief Executive Officer*	2019	2019-2021	31.03.2019	31.03.2022	105,761	0	105,761	105,761	0	105,761
	2020	2020-2022	31.03.2020	31.03.2023	156,737		0	0	156,737	0
	2021	2021-2023	31.03.2021	31.03.2024	112,000		0	0	112,000	0
	2022	2022-2024	28.04.2022	31.03.2025	0	94,453(2)	0	0	94,453	0

(1) *Unvested share units.*

(2) *The number of PSUs to be granted to the executive directors is determined dividing the individual grant (as resolved by the Board of Directors on 2 March 2022 on the proposal of the compensation and talent development committee and approved by general meeting of 28 April 2022) by the average closing price of the Company's shares on the 30 days before the grant. Specifically, for 2022 the average closing price on 30 days before the grant was € 9,5285.*

Change of remuneration of executive directors and Company performance

The requirement in the Dutch Civil Code is to disclose this information over five financial years. However, as the Company was incorporated in its current structure in November 2021, meaningful total remuneration information is only available and relevant from 2021 onwards.

The following table shows a comparison of the fixed remuneration of the executive directors over the last five years who served as executive director in 2022.

Annual change	2018	2019	2020	2021	2022
Executive director's fixed remuneration *(in € thousand)*					
Paolo Merloni *Executive Chairman*	992	1,005	995	1,003	1,118
Laurent Jacquemin *Chief Executive Officer*	710	718	782	880	1,029
Executive director's total remuneration *(in € million)*					
Paolo Merloni *Executive Chairman*	N.A.	N.A.	N.A.	2,879	3,523
Laurent Jacquemin *Chief Executive Officer*	N.A.	N.A.	N.A.	2,128	2,601
Company performance *(in € million)*					
EBIT	127	134	149	171	194
EBITDA	195	209	227	247	283
EBIT Adjusted	134	149	164	203	223
EBITDA Adjusted	202	223	239	277	305
Average remuneration on a full-time equivalent basis of employees(i)					
Employees of the Group	N.A.	N.A	N.A	54	59
Internal pay ratio Chief Executive Officer(i)					
Chief Executive Officer vs employees of the Group	N.A	N.A	N.A	40	44

(i) The population composition changes among the years in terms of FTE, mix and countries.

Internal pay ratio Chief Executive Officer based on fixed remuneration

In accordance with Dutch law and the Dutch corporate governance code, the internal pay ratio is an important factor for determining the remuneration policy. On 20 December 2022 the DCGC published an updated version that will come into force as of 1 January 2023. As this version includes a methodology for calculating the pay ratio, Ariston has elected to follow this methodology from 2022. The 2022 pay ratio of the Chief Executive Officer versus the employees of the Group is 44.

Compliance with the remuneration policy and application of performance criteria

Performance of executive directors for the financial year ended 31 December 2022:

Director, position	Description of the performance criteria and type of applicable r emuneration	Relative weighting of the performance criteria	Actual award outcome
Paolo Merloni *Executive Chair-man*	Short-term incentive: Group EBIT Adjusted (*EUR million*)	60%	
	Short-term incentive: Group Net Revenue (*EUR million*)	20%	
	Short-term incentive: Product replacement rate	20%	
	Long-term incentive: EBIT Adjusted Objective and Net revenue objective	70%	(a) [●] available in 2025 (b) [●] available in 2025
	Long-term incentive: TSR objective	15%	(a) [●] available in 2025 (b) [●] available in 2025
	Long-term incentive: Sustainability objective	15%	(a) [●] available in 2025 (b) [●] available in 2025
Laurent Jacque-min *Chief Executive Officer*	Short-term incentive: Group EBIT Adjusted (*EUR million*)	60%	
	Short-term incentive: Group Net Revenue (*EUR million*)	20%	
	Short-term incentive: Product replacement rate	20%	
	Long-term incentive: EBIT Adjusted objective and Net Revenue objective	70%	(a) [●] available in 2025 (b) [●] available in 2025
	Long-term incentive: TSR objective	15%	(a) [●] available in 2025 (b) [●] available in 2025
	Long-term incentive: Sustainability objective	15%	(a) [●] available in 2025 (b) [●] available in 2025

Remuneration of Non-Executive Directors

The remuneration of non-executive directors aims to reward the non-executive directors for utilising their skills and competences to the maximum extent possible to execute the tasks delegated to them. The general meeting determines the remuneration upon proposals of the Board, which periodically sends these proposals to the general meeting

Remuneration components for Non-Executive Directors

The remuneration of the non-executive directors reflects the size of the Group, as well as the responsibilities of the role and the time spent. Since the nature of the responsibilities of the non-executive directors is to function as independent bodies, the remuneration is not tied to the performance of the group. Therefore, the remuneration of non-executive directors includes fixed compensations only. The annual fixed fee for non-executive directors is €50,000. The chair and the members of the Board's committees are provided with a supplementary committee fee for these additional responsibilities as set out in the table below.

Committee	Chair	Member
Compensation and talent development committee	€ 20,000	€ 10,000
Audit committee	€ 20,000	€ 10,000
Strategic committee	€ 20,000	€ 10,000
ESG committee	€ 20,000	€ 10,000

The non-executive directors (i) shall not be eligible to participate in any benefits programs offered by the Company, (ii) will not be entitled to any severance pay, and (iii) are not eligible to participate in a pension scheme or other pension related benefits. The non-executive directors will, however, be reimbursed for all reasonable business expenses incurred in the course of performing their duties. Furthermore, the non-executive directors are beneficiaries of the D&O insurance policy of the executive directors.

2022 remuneration of the Non-Executive Directors

The remuneration of the non-executive directors is in accordance with the remuneration policy. There are no loans, advances or guarantees provided by the Company or any undertaking belonging to the same group of the Company to the non-executive directors.

The following table summarize the remuneration received by the non-executive directors for the years ended 31 December 2022 and 2021.

Non-executive director *(in € thousand)*	Fixed remuneration 2022	Supplementary committee remuneration 2022	Total remuneration 2022	Total remuneration 2021
Francesco Merloni	50	0	50	48
Marinella Soldi	50	20	70	67
Sabrina Baggioni	42	17	58(1)	40
Roberto Guidetti	50	40	90	71
Maria Francesca Merloni	50	0	50	48
Lorenzo Pozza	50	20	70	38(2)
Ignazio Rocco di Torrepadula	50	10	60	38(2)
Andrea Silvestri	50	10	60	33(2)
Paolo Tanoni	50	0	50	50
Enrico Vita	50	10	60	52

(1) Until 3 November 2022 (resignation).
(2) As from 15 June 2021.

The following table shows a comparison of the fixed remuneration of non-executive directors over the last five years who served as non-executive directors in 2022:

Non-executive director *(in € thousand)*	2018	2019	2020	2021	2022
Francesco Merloni	50	50	50	48	50
Marinella Soldi	77	74	74	67	70
Sabrina Baggioni	0	0	0	40	58(1)
Roberto Guidetti	62	59	59	71	90
Maria Francesca Merloni	50	50	50	48	50
Lorenzo Pozza	0	0	0	38(2)	70
Ignazio Rocco di Torrepadula	0	0	0	38(2)	60
Andrea Silvestri	0	0	0	33(2)	60
Paolo Tanoni	50	50	50	50	50
Enrico Vita	44,3	56	53	52	60

(1) until 3 November 2022 (resignation).

6. Ariston Holding N.V. Consolidated Report Financial Statements at 31 December 2022

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Ariston Holding N.V. – Consolidated Financial Statements at 31 December 2022

Consolidated income statement as at 31 December 2022

(in € million)	notes	2022		2021	
REVENUE AND INCOME					
Net revenue	1.1	2,378.8	100.0%	1,987.3	100.0%
Other revenue and income	1.1	42.7	1.8%	34.1	1.7%
Revenue and Income	1.1	**2,421.5**	**101.8%**	**2,021.5**	**101.7%**
OPERATING EXPENSES					
Change in inventories	1.2	-93.7	-3.9%	-107.5	-5.4%
Raw materials, consumables and goods for resale	1.2	1,243.3	52.3%	988.0	49.7%
Services	1.3	481.3	20.2%	433.1	21.8%
Personnel	1.4	459.0	19.3%	412.3	20.7%
Amortisation	2.1/2.2	89.8	3.8%	75.8	3.8%
Provisions	1.5	14.0	0.6%	19.7	1.0%
Write-downs		3.8	0.2%	1.7	0.1%
Other operating expenses	1.6	30.4	1.3%	27.3	1.4%
Operating expenses		**2,227.8**	**93.7%**	**1,850.3**	**93.1%**
OPERATING PROFIT	**1.7**	**193.7**	**8.1%**	**171.2**	**8.6%**
FINANCIAL INCOME AND EXPENSE					
Financial income	1.8	6.0	0.3%	4.5	0.2%
Financial expense	1.9	-15.7	-0.7%	-12.4	-0.6%
Exchange rate gains/losses	1.10	-8.9	-0.4%	4.1	0.2%
Financial Income and Expense		**-18.6**	**-0.8%**	**-3.9**	**-0.2%**
PROFIT (LOSS) ON INVESTMENTS					
Profit (loss) on investments	1.11	**4.7**	**0.2%**	**-1.9**	**-0.1%**
PROFIT BEFORE TAX		**179.8**	**7.6%**	**165.4**	**8.3%**
TAXES	**1.12**	**39.5**	**1.7%**	**29.1**	**1.5%**
			22.0%		**17.6%**
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**140.3**	**5.9%**	**136.3**	**6.9%**
NET PROFIT		**140.3**	**5.9%**	**136.3**	**6.9%**
Net profit attributable to non-controlling Interests		**0.1**	**0.0%**	**-0.2**	**-0.0%**
Net profit attributable to the Group		**140.3**	**5.9%**	**136.5**	**6.9%**
Basic earnings per share (€)	**1.13**	**0.43**	-	**0.47**	
Diluted earnings per share (€)	**1.13**	**0.42**	-	**0.46**	

Consolidated statement of other comprehensive income as at 31 December 2022

(in € million)	notes	2022	2021
NET PROFIT	**3.1**	**140.3**	**136.3**
Items that will not be reclassified to the income statement			
Actuarial gains (losses) (*)	3.1	7.9	4.0
Sub-total of items that will not be reclassified to the income statement		***7.9***	***4.0***
Items that may be reclassified to the income statement			
Gains (losses) from the translation of financial statements	3.1	11.6	21.3
Net gains (losses) under cash flow hedge reserve (*)	3.1	23.7	0.2
Sub-total of Items that may be reclassified to the income statement		***35.2***	***21.6***
Total other gains (losses) net of taxes		**43.2**	**25.5**
NET PROFIT		**183.5**	**161.8**
Attributable to:			
- Group		183.4	162.0
- Non-controlling Interests		0.1	-0.2

(*) *Tax effect included*

Consolidated statement of financial position as at 31 December 2022

(in € million)	notes	2022	2021
Assets			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	2.1	312.7	294.8
Other intangible assets	2.1	129.9	113.0
Total intangible assets	2.1	442.6	407.8
Property, plant and equipment			
Land and buildings excluding ROU		*125.9*	*121.4*
Land and buildings ROU		*47.4*	*40.5*
Land and buildings	2.2	173.3	161.9
Plant and machinery excluding ROU		*109.2*	*103.2*
Plant and machinery ROU		*1.6*	*1.3*
Plant and machinery	2.2	110.8	104.5
Other property, plant and equipment excluding ROU		*99.3*	*87.8*
Other property, plant and equipment ROU		*21.8*	*18.2*
Other property, plant and equipment	2.2	121.1	106.0
Total property, plant and equipment	2.2	405.1	372.4
Investments in associates & Joint ventures	2.3	2.4	2.4
Deferred tax assets	2.4	101.2	102.4
Financial assets	2.5	6.1	5.2
Other non-current assets	2.6	7.0	6.4
Non-current tax receivables	2.7	2.1	1.2
Total non-current assets		966.4	897.8
CURRENT ASSETS			
Inventories	2.8	476.8	382.0
Trade receivables	2.9	308.4	248.3
Tax receivables	2.10	28.4	29.8
Current financial assets	2.11	47.1	10.8
Other current assets	2.12	50.8	56.4
Cash and cash equivalents	2.13	999.3	689.7
Total current assets		**1,910.8**	**1,417.0**
ASSETS HELD FOR SALE	2.14	**1.3**	**2.3**
TOTAL ASSETS		**2,878.5**	**2,317.0**

Consolidated statement of financial position as at 31 December 2022

(in € million)	notes	2022	2021
Liabilities and Equity			
NET EQUITY			
Share capital	3.1	46.1	46.0
Share premium reserve	3.1	313.3	293.7
Retained earnings and other reserves	3.1	510.3	402.0
Net profit attributable to the Group	3.1	140.3	136.5
Net equity attributable to the Group	**3.1**	**1,010.0**	**878.3**
Non-controlling interests and reserves		2.1	0.0
Net profit attributable to non-controlling interests		0.1	-0.2
Net equity attributable to non-controlling interests		**2.2**	**-0.2**
Net equity	3.1	**1,012.2**	**878.1**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	3.2	61.8	50.8
Non-current provisions	3.3	59.6	56.9
Post-employment benefits	3.4	38.6	51.7
Non-current financing	3.5	865.2	446.4
Other non-current liabilities	3.6	12.0	14.0
Non-current tax liabilities	3.7	1.8	7.8
Total non-current liabilities		**1,038.9**	**627.5**
CURRENT LIABILITIES			
Trade payables	3.8	481.4	477.2
Tax payables	3.9	53.0	45.1
Current provisions	3.10	36.2	33.5
Current financial liabilities	3.11	49.7	46.1
Current loans	3.12	32.7	23.1
Other current liabilities	3.13	174.5	186.3
Total current liabilities		**827.4**	**811.3**
LIABILITIES HELD FOR SALE	3.14	**0.0**	**0.0**
TOTAL LIABILITIES AND NET EQUITY		**2,878.5**	**2,317.0**

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Consolidated statement of cash flows

(in € million)

	STATEMENT OF CASH FLOWS	notes	2022	2021
	CASH FLOW FROM OPERATING ACTIVITIES			
1	NET PROFIT	3.1	140.3	136.3
2	- Taxes	1.12	39.5	29.1
3	- Income and expense from financing and investment activities	1.8/1.11	13.9	5.8
4	- Amortisation excluding ROU	2.1/2.2	64.4	54.5
5	- Amortisation ROU	2.2	25.4	21.3
6	- Provisions	1.5	14.0	19.7
7	- Other adjustments		3.8	1.7
8	= **GROSS OPERATING CASH FLOW** (+1+2+3+4+5+6+7)		**301.2**	**268.3**
9	- Change in trade receivables	2.9	-21.2	-17.5
10	- Change in inventories	2.8	-67.6	-108.1
11	- Change in trade payables	3.9	-27.0	112.3
12	- Change in other short-term assets/liabilities		-3.4	-11.5
13	- Change in provisions		-15.6	-13.5
14	- Tax paid		-35.4	-39.5
15	= **NET OPERATING CASH FLOW** (+8+9+10+11+12+13+14)		**130.9**	**190.7**
	CASH FLOW FROM INVESTMENT ACTIVITIES			
16	- Investments in intangible assets	2.1	-21.0	-19.1
17	- Investments in property, plant and equipment	2.2	-57.6	-59.0
18	- Business combinations	2.1.1	-23.9	0.0
19	- Investments in financial assets		-30.3	-8.1
20	- Change in the scope of consolidation		-1.9	0.0
21	- Value of tangible and intangible assets sold	2.1/2.2	0.9	1.4
22	= **CASH FLOW FROM INVESTMENT ACTIVITIES** (+16+17+18+19+20+21)		**-133.8**	**-84.7**
	CASH FLOW FROM FINANCING ACTIVITIES			
23	- Financial expense paid		-7.4	-4.4
24	- Financial income collected		5.0	4.1
25	- Financial expense pursuant to IFRS16		-1.9	-1.4
26	- Other inflows (outflows) of cash classified as financing activities	1.10	-8.9	-10.2
27	- Increase/decrease in short-term financial payables	3.5	6.4	-2.5
28	- New loans	3.5	450.5	205.2
29	- Loans repayment	3.5	-62.8	-334.7
30	- Dividends	3.1	-46.4	-48.3
31	- Capital and reserves increase/distribution		0.0	0.0
32	- Proceeds from issue of ordinary shares		0.0	294.0
33	- Buyback/sale of treasury shares	3.1	-12.5	0.0
34	= **CASH FLOW FROM FINANCING ACTIVITIES** (23+ / +33)		**322.1**	**101.9**
35	= **CASH FLOW FROM CONTINUING OPERATIONS** (15+22+34)		**319.3**	**207.8**
36	= **CASH FLOW FROM DISCONTINUED OPERATIONS**		**0.0**	**0.0**
37	= **TOTAL CASH FLOW** (35+36)		**319.3**	**207.8**
38	**Effect of changes in exchange rates**		**2.8**	**16.9**
39	**= TOTAL MOVEMENT IN CASH AND CASH EQUIVALENTS** (+37+38)		**322.0**	**224.8**
40	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD**		**655.5**	**430.7**
41	**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** (+39+40)		**977.5**	**655.5**

Consolidated statement of changes in shareholders' equity as at 31 December 2022

CHANGES IN NET EQUITY *(in € million)*	Notes	Share capital	Treasury shares	Share premium reserve	Legal reserve	Stock-based incentive plans reserve	Reserve for gains/losses in equity	Actuarial gains (losses)	Retained earnings (losses) and other reserves	Net profit	Net equity attributable to the Group	Net equity attributable to non-controlling interest	Net Equity
Balances as at 31 Dec. 2021	**3.1**	**46.0**	**0.0**	**293.7**	**28.3**	**24.4**	**-0.9**	**-26.6**	**376.8**	**136.5**	**878.3**	**-0.2**	**878.1**
Changes in ownership interests	2.1.1										**0.0**	2.4	**2.4**
Consolidated profit allocation									136.5	-136.5	**0.0**		**0.0**
Payment of dividends	3.1								-46.4		**-46.4**		**-46.4**
Acquisition of treasury shares	3.1		-12.5								**-12.5**		**-12.5**
Other changes		0.0		19.6		-13.0			0.5		**7.1**	-0.1	**7.0**
Comprehensive income (loss)							23.7	7.9	11.6		**43.2**		**43.2**
Net income										140.3	**140.3**	0.1	**140.3**
Balances as at 31 Dec. 2022	**3.1**	**46.1**	**-12.5**	**313.3**	**28.3**	**11.4**	**22.8**	**-18.6**	**479.0**	**140.3**	**1,010.0**	**2.2**	**1,012.2**

CHANGES IN NET EQUITY *(in € million)*	Notes	Share capital	Treasury shares	Share premium reserve	Legal reserve	Stock-based incentive plans reserve	Reserve for gains/losses in equity	Actuarial gains (losses)	Retained earnings (losses) and other reserves	Net profit	Net equity attributable to the Group	Net equity attributable to non-controlling interest	Net Equity
Balances as at 31 Dec. 2020	**3.1**	**41.8**	**-13.5**	**-82.3**	**8.4**	**0.0**	**-1.1**	**-30.5**	**427.0**	**96.7**	**446.5**	**0.0**	**446.5**
Consolidated profit allocation									96.7	-96.7	**0.0**	0.0	**0.0**
Payment of dividends	3.1								-48.3		**-48.3**	0.0	**-48.3**
IPO Eeffects		0.3		293.7		24.4			0.0		**318.5**	0.0	**318.5**
Other changes		3.9	13.5	82.3	19.9				-120.0		**-0.4**	0.0	**-0.4**
Comprehensive income (loss)							0.2	4.0	21.3		**25.5**		**25.5**
Net income										136.5	**136.5**	-0.2	**136.3**
Balances as at 31 Dec. 2021	**3.1**	**46.0**	**0.0**	**293.7**	**28.3**	**24.4**	**-0.9**	**-26.6**	**376.8**	**136.5**	**878.3**	**-0.2**	**878.1**

Notes to the consolidated financial statements at 31 December 2022

1. Corporate information

Ariston Holding N.V. (hereafter also the "Parent Company") is a Company listed in Euronext Milan, Italy, having its statutory seat in The Netherlands and enrolled in the Chamber of Commerce – KVK – of Amsterdam (CCI no.83078738, RSIN no. 862717589, Establishment no. 000049275437, VAT Code: 01527100422, Fiscal Code 00760810572), with a secondary office in Via Broletto 44, Milano I-20121.
The major business operations of the Group and of the Ariston Holding N.V. are in Italy and for that reason the Company has established a secondary seat with a permanent representative office, within the meaning of article 2508 of the Italian Civil Code.
The Parent Company's primary purpose is to be a holding company and, with it, the management and coordination of a series of business processes for all the subsidiaries of the Group (hereinafter the "subsidiaries"). The Group, with its subsidiaries, is active in the business of the production and distribution of hot water and space heating and service solutions with a cutting-edge technology serving markets all around the world.
At 31 December 2022, voting rights are as follows (not including 0.13% of Treasury Shares): Merloni Holding S.p.A. 74.03% and Amaranta S.r.l. 18.70% (equating to 74.60% of the share capital) while the market is entitled for the 7.27%.
The issued share capital of the Company is held by Merloni Holding S.p.A. for 65.65%, Amaranta S.r.l. for 8.95%, the market for 24.95% and for 0.45% Ariston Holding (Treasury shares).
The consolidated financial statements of Ariston Group for the year ending 31 December 2022 were approved on 2 March 2023 by the Board of Directors of the Parent Company and recognized for issue.
The Board of Directors reserves the right to amend the financial statements, up to the date of the Shareholders' meeting of the Parent Company, should any significant events occur that require changes to be made.

The consolidated financial statements comprise the following: income statement, statement of other comprehensive income, statement of financial position, statement of cash flows, statement of changes equity (in euro million) and these notes to the financial statements.

The statement of cash flows has been prepared using the "indirect method" and shows the changes that occurred, during the period, in the "short-term financial position" which measures the cash and cash equivalents (short-term and high liquidity financial investments promptly convertible and not subject to the risk of a change in value), classifying the financial flows according to their origins, from operating activities, investments or financing.

These financial statements have been prepared in euro, the currency used in most of the Group's transactions. Transactions with foreign companies are included in the consolidated financial statements in compliance with the standards hereunder described.

2. Significant events of the year

Significant events during the year relating to corporate actions, acquisitions agreements and other significant events impacting the results are reported in a dedicated section in the Director's report of this annual report. We summarize here below the main events of the year:

- On 5 January 2022, Ariston Group completed the acquisition of Chromagen group. Ariston Group acquired 100% of the shares and voting rights of the entity that operates in Israel and Spain. In Australia, Ariston Group acquired the shares owned by Kibbutz Shaar Haamakim while confirming both the current management team as well as the governance structure with the current minority shareholders. Chromagen develops, manufactures and markets renewable hot water solutions, with a strong heritage in solar thermal technology;
- On 14 June 2022, the Bahrain entity 'Ariston Thermo MEA SPC' was put into liquidation. As at 31 December 2022 the liquidation process is still ongoing. The contribution of the Bahrain entity on the Net Revenue of the Group is equal to nil and on the Total Assets of the Group is equal to 0.1%;
- On 13 July 2022, the Turkish subsidiary named 'Ariston Thermo Isitma ve Sogutma Sistemleri Ithalat, Ihracat ve Dagitim Ltd Sirketi' was put into liquidation. As at 31 December 2022 the liquidation process is still ongoing. The contribution of the Turskish entity on the Net Revenue of the Group is equal to 0.1% and on the Total Assets of the Group is equal to 0.1%;

- In September Ariston Group signed an agreement for the acquisition of Centrotec Climate Systems GmbH, a leading player in the supply of heating, ventilation, air-handling and combined heat & power solutions, with around 2,500 people employed and a well-established presence in Germany, in the Netherlands and a solid exposure to many other European markets. The manufacturing base is mainly located in Germany, the Netherlands and Croatia;
- In 2022 Ariston Group suffered severe damage at the manufacturing plants of Genga and Cerreto D'Esi due to the extraordinary flash floods on 15 September that hit Italy's central Marche region. The latter caused, in a nutshell, detriment to operating profit in different lines of the Profit and Loss. Up to 31 December 2022, Ariston Group identified direct damages for € 15.3 million, only partially reimbursed on account for € 5 million by the insurance company. Furthermore, Ariston Group developed a calculation, which is still on going and not reimbursed in the financial period, in order to evaluate the business interruption which, at the moment, is still eating into the operating margin as volume losses and inefficiencies due to the production interruption caused by the extraordinary event. The full insurance reimbursement will occur upon full restart of the operations, likely later in 2023;
- In response to Russia's military aggression, the EU, the USA and the UK have adopted economic and financial sanctions designed to weaken Russia's ability to fund its war operation. The activity of our Ukraine entity is confirmed to be ongoing having mitigated the risks by creating provisions on both account receivables and inventories. Overall the business in Ukraine has low materiality and limited financial risks. The Russian operation is ongoing following all limitations introduced by the international community to business.

3. Basis of accounting preparation

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards ("IFRS"), which include all International Accounting Standards in force as well as all interpretations provided by the IFRS Interpretation Committee previously known as International Financial Reporting Interpretations Committee ("IFRIC") and in accordance with title 9 book 2 Dutch civil code.
The Parent Company prepares the separate financial statements in compliance with the "accounting standards" under the Section 2:362 (8) of the Dutch Civil Code, pursuant to Part 9 of Book 2. These accounting policies are applied in the consolidated IFRS financial statements and in the separate financial statements.
The financial statements were prepared based on the going concern principle, on the cost basis and taking any value adjustments into account where appropriate, this is with the exception of statement of financial position items, such as financial instruments, that, under the IFRS, must be recognized at fair value and except in cases in which the IFRS allow a different valuation criterion to be used. The carrying amount of assets and liabilities subject to fair value hedging transactions, which would otherwise be recorded at cost, has been adjusted to take account of the changes in fair value attributable to the risk being hedged.
The recognized financial statements provide comparative information in respect of previous period.

i. Going concern

December 2022, for the sake of business that Ariston Group carried out among countries, cannot be considered anymore characterized by Covid-19 pandemic.
Having the Group still in place a series of counter actions, learned by experience, mitigating risks brought by the virus, management does not consider at the moment an issue for the going concern.

In compliance with IAS 38 and IAS 36, on a yearly basis, the Group verifies the recoverable value of intangible assets with indefinite life, the values were tested at aggregate level based on the values allocated to the three cash-generating units (CGUs), identified as the lowest level at which the Goodwill is monitored by the Group and is considered appropriate, given the synergies and efficiencies obtained.
The financials and economics prospective had been therefore not affected by the pandemic, the Group continues to be very sound, in all the economic and financial ratios, protecting its operations, revamping the investment plans and not exposed to any going concern issues.

ii. Segment reporting

For management purposes, the Group is organized into 3 business divisions (representing the three CGUs Thermal Comfort, Burners and Components), however from a segment reporting perspective, the Group discloses a unique reportable segment, in accordance with what provides the principle IFRS 8 – Operating Segments.

In assessing performance, the management reviews financial information on an integrated basis for the Group as a whole, substantially in the form of, and on the same basis as, the Group's IFRS Financial Statements.
The information required as per IFRS 8.31-34 have been disclosed within the Section '6. Disclosure to the Financial Statements'.

ii. Principles and basis of consolidation

The consolidated financial statements include the financial statements of the Parent Company and of the Italian and foreign subsidiaries.
For the purposes of preparing the IFRS-compliant consolidated financial statements, all consolidated companies have prepared a specific reporting package, at the same reference date, based on the IFRS standards that the Group has adopted and which are described below, entailing the reclassification and/or rectification of their accounting data prepared for disclosure purposes on a local level.
The consolidated financial statements reflect the financial position and economic result of the Parent Company and of its subsidiaries, both directly and indirectly controlled. In particular, the consolidated entities are those under the control of Ariston Holding N.V. either through a direct or indirect equity ownership, with the majority of voting rights at the General Meeting, or through the exercise of a dominant influence over the financial and operating policies of the companies/entities, thus obtaining the related benefits, even without regard to equity ownership.
Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the significant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: the contractual arrangement(s) with the other vote holders of the investee; rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.
All subsidiaries are consolidated from the date when the Group acquired their control. The entities are excluded from the consolidation area from the date when the Group ceases or loses control of them.
Income statement and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.
When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.
All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.
Compared to 31 December 2021, the scope of consolidation changed due to the following transactions:

- On 5 January 2022, Ariston Group completed the acquisition of Chromagen group. Refer to 'Note 2.1.1 – Business combinations' for further details. Chromagen group is included in the Ariston Group's perimeter starting from January 2022;
- In November 2022, the French subsidiary STV France merged by incorporation into Ariston France with retroactive accounting effects as from 1 January 2022.
- In December 2022, the Spanish subsidiary Chromagen Espana S.L. merged by incorporation into Ariston Iberica SL with retroactive accounting effects as from 9 February 2022.

For further details on transactions that occurred in the year, reference should be made to the following section "Consolidation and translation principles".

The list of the companies included in the basis of consolidation at 31 December 2022 is presented in the "List of companies at 31 December 2022".

Subsidiaries

A subsidiary is a company where the financial and operating policies are determined by the Parent Company which aims to benefit from their activities.
The economic result of the subsidiaries, whether acquired or transferred during the period, are included in the consolidated income statement from the actual acquisition date to the actual transfer date.

The share of non-controlling interests in the net assets of the consolidated subsidiaries is identified separately from the equity attributable to owners of the Parent. This share is determined based on their percentage of interest held:

a. in the fair values of the assets and liabilities recognized at the date of business combination. As regards the symmetric put and call contracts connected to the new acquisitions, they have been represented by recognizing under financial liabilities in the statement of financial position the fair value of the payable arising from the purchase and sale options signed at the moment of the acquisition on all the shares held by the minority shareholders, and without the recognition of the residual equity attributable to non-controlling interests (see the subsequent section: "Business combinations");
b. in the changes in equity after that date. Subsequently, the losses attributable to non-controlling interests exceeding the equity attributable to them, are recognized under non-controlling interests.

Associates and joint ventures

The consolidated financial statements include the portion of associates' economic results attributable to the Group. Associates are companies over which the Group has a significant influence, in terms of financial and operating policies, although not holding a control or joint control. The portion of these companies' economic results attributable to the Group is recognized according to the equity method, from the date when the significant influence starts until it ceases to exist. If the portion of losses of an associate attributable to the Group exceeds the carrying value of the investment recognized in the financial statements, the amount of this investment is waived and the portion of exceeding losses is not recognized, except and to the extent of the obligations assumed by the Group.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost.
The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date.
The income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognized its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.
The aggregate of the Group's share of income statement of an associate and a joint venture is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.
The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates

the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss within 'Share of profit of an associate and a joint venture' in the income statement.
Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in income statement.

Transactions excluded from the consolidation process

All significant intra-group balances and transactions arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

Consolidation of foreign companies

All assets and liabilities of foreign companies in a functional currency other than the euro, falling within the consolidation area, are converted using the exchange rates in effect at the reference date of the financial statements (method of the current exchange rates). Income and expenses are converted at the average exchange rate for the period. Should it be possible to identify the specific exchange rate for individual transactions, these items are converted at the related spot rate.
The differences in the exchange rates on assets and liabilities of foreign companies in currencies other than the euro arising from application of this method are recognized in OCI and under equity until the shareholding is transferred. Goodwill and adjustments to the fair values generated by the acquisition of a foreign company, are recognized in their currency and converted using the exchange rate at the end of the reporting period.
The following table contains the exchange rates against the euro applied in the translation of financial statements expressed in another currency: (exchange rate = euro/currency).

Currency		2022		2021	
		Average exch. Rate	Exch. Rate at 31.12	Average exch. Rate	Exch. Rate at 31.12
EMIRATI DIRHAM	AED	3.8903	3.9171	4.3419	4.1595
ARGENTIN PESO	ARS	188.5033	188.5033	116.3622	116.3622
CANADIAN DOLLAR	CAD	1.3674	1.4440	1.4831	1.4393
SWISS FRANC	CHF	1.0034	0.9847	1.0815	1.0331
CHINESE RENMINBI	CNY	7.0931	7.3582	7.5688	7.1947
CZECH KORUNA	CZK	24.5718	24.1160	25.6498	24.8580
DANISH CROWN	DKK	7.4394	7.4365	7.4371	7.4364
EGYPTIAN POUND	EGP	20.0382	26.3990	18.4796	17.8012
ENGLISH STERLING	GBP	0.8526	0.8869	0.8603	0.8403
CROATIAN KUNA	HRK	7.5357	7.5365	7.5277	7.5156
HUNGARIAN FORINT	HUF	392.4311	400.8700	358.5748	369.1900
INDONESIAN RUPIAH	IDR	15,608.3120	16,519.8200	16,922.4258	16,100.4200
INDIAN RUPIAH	INR	82.4618	88.1710	87.2112	84.2292
KAZAKHSTANI TENGE	KZT	481.4668	492.9000	502.3916	492.7500
MOROCCO DIRHAM	MAD	10.6757	11.1580	10.6354	10.4830
MEXICAN PESO	MXN	20.9434	20.8560	23.9546	23.1438
NIGERIAN NAIRA	NGN	596.1000	653.8300	533.6500	484.9200
POLISH ZLOTY	PLN	4.6931	4.6808	4.5673	4.5969
ROMANIAN NEW LEU	RON	4.9299	4.9495	4.9256	4.9490
RUSSIAN RUBLE	RUB	69.6963	77.8998	86.8960	85.3004
SINGAPORE DOLLAR	SGD	1.4534	1.4300	1.5868	1.5279
TUNISIAN DINAR	TND	3.2514	3.3221	3.2883	3.2603
TURKISH NEW LIRA	TRY	16.5058	19.9649	10.5850	15.2335
UKRAINIAN HRYVNIA	UAH	34.5027	39.0370	32.0743	30.9219
US DOLLAR	USD	1.0536	1.0666	1.1802	1.1326
VIETNAM DONG	VND	24,497.4172	25,183.0000	26,702.7754	25,819.0000

ISRAELI NEW SHEKEL	ILS	3.5400	3.7554	3.8242	3.5159
SERBIAN DINAR	RSD	117.4202	117.3246	117.5512	117.6165
AUSTRALIAD DOLLAR	AUD	1.5156	1.5693	1.5747	1.5615
SOUTH AFRICAN RAND	ZAR	17.1696	18.0986	17.4094	18.0625

The exchange rate used for the translation of the Nigerian naira into the presentation currency is that at which future cash flows would be realized, in accordance with IAS 21.

Hyperinflation

If a subsidiary operates in a hyperinflationary economy, the related economic and financial results are adjusted in accordance with the method established by IFRS, before being translated into the functional currency of the Group. The economic and financial data are restated in local currency, taking into account the current purchasing power of the currency on the financial statements date.

Argentina and Turkey fulfilled the conditions which determine the presence of hyperinflation in accordance with the IFRS (International Financial Reporting Standards). Consequently, as of 1 July 2018, all the companies operating in Argentina have been required to apply IAS 29 *Financial Reporting in Hyperinflationary Economies* in preparing the financial reports. With reference to the Group, the consolidated financial results at 31 December 2022 include the effects from the application of the aforementioned accounting standard as in the prior year.
In accordance with the provisions of IAS 29, the remeasurement of the values in the financial statements overall requires the application of specific procedures and a measurement process which the Group had already started in the final part of 2018 for Argentina and of 2022 for Turkey. In particular:

- in relation to the income statement, costs and revenue were restated applying the change in the general consumer price index, in order to reflect the fall in purchasing power experienced by the local currency at 31 December 2022. For the purposes of the translation into euro of the income statement thus restated, the spot exchange rate at 31 December 2022 was consistently applied rather than the average exchange rate for the period. With reference to consolidated net revenue in the period, the effect from the application of the standard entailed a negative change of Argentine peso 260.5 million equal to € 1.4 million in 2022. The effect of the hyperinflation for the Turkish entity has not been considered in the income statement given that the impact is not material and the entity has been in liquidation since July 2022;
- as regards the statement of financial position, the monetary elements were not restated, since they are already expressed in the current unit of measurement at the end date of the period; the non-monetary assets and liabilities were instead restated to reflect the fall in purchasing power of the local currency that occurred from the date on which the assets and liabilities were initially recorded, at the end of the period.

Business combinations

Business combinations are accounted for using the acquisition method.
The Group verifies that a business combination falls within the definition of the IFRS guidance hence only if it is an integrated set of activities and assets that with the input and process, contribute to the output creation.
The cost of acquisition is calculated as the sum of payments transferred as part of a business combination, measured at fair value, on the acquisition date and at the value of the portion of the shareholders' equity relating to non-controlling interests, measured at fair value of the net interest recognized for the acquired entity.
Ancillary costs related to the transactions are recorded in the income statement at the time they are incurred. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.
The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.
When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Should the business combination be done in instalments, the interest previously held by the Group in the acquired business is revealed at fair value on the date control is acquired, and any resulting gains or losses are recognized in the income statement.
Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is remeasured at fair value at each reporting date with changes in fair value recognized in income statement.
Any changes in the fair value of the net assets acquired, occurring once further information is available during the measurement period – 12 months from the acquisition date – are included retrospectively in goodwill.
Goodwill acquired in business combinations is initially measured at cost, as the excess of the sum of payments transferred, the value of the portion of shareholders' equity relating to non-controlling interests and the fair value of any interest previously held in the acquired business over the Group's portion of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. If the value of the net assets acquired and liabilities assumed on the acquisition date exceeds the sum of the transferred payments, the value of the non-controlling interests' portion of shareholders' equity and the fair value of any interest previously held in the acquired business, this excess value is accounted for in profit and loss as income from the transaction.
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Recognition of non-controlling interests

Non-controlling interests relate to the portion of a subsidiary's shareholders' equity that is not directly or indirectly attributable to the Group.

Should cross-mechanisms, which give the Group the right to acquire the non-controlling interests (call option agreement) or rights to sell the same to the Group (put option agreement) or a combination of both (put and call option agreements) be in place, an analysis is made as to whether the risks and benefits connected with the share of legal ownership of the business to which the non-controlling interests pertain are broadly attributable to the latter or to the Group. These rights to purchase or sell the non-controlling interests may be set at a fixed price, a variable price or a fair value, and may be exercisable on a fixed date or at any time in the future. Each of these variables is examined to determine the effects on the presentation of the accounts.
If the non-controlling interests have an effective involvement in the conduct of the business, those interest must continue to be represented in addition to the Group's shareholders' equity and, at the same time, the financial liability relating to the put and/or call option agreements must be recorded.

Accounting treatment of the Atmor Industries Group option agreement clause – Relocation Project

As a result of (i) the consideration of the characteristics of the control exercised due to the contractual commitments and (ii) the specific accounting policy adopted by the Group, the acquisition of 60% of the Atmor Group, which occurred on 7 September 2017, with the simultaneous subscription of a put option in favour of the seller and a call option in favour of the buyer, relating to the residual 40% of the share capital. The option has been exercised in previous years.
In 2020 as part of the option agreement the parties determined an adjustment to the price based on certain milestones linked to the Relocation Project. The amount is equal to € 0.3 million.
The liability is expected to be paid in 2023 and is therefore classified under current liabilities.

Accounting treatment of the Haas Heating BV earn out

On 10 June 2021, 24.5% of the shares of the Dutch company Haas Heating B.V. were acquired by the Group through ATAG Heating B.V.
The acquisition agreement sets forth a mechanism for a subsequent adjustment of the purchase price (earn-out) based on a sales scheme at specific dates falling under IAS 28 *Investment in Associates and Joint Ventures*.

Therefore, a liability equal to the current value of the estimated obligation as at the date of its eventual future exercise, was recognized in the financial statements against the equity participation value.
A Shares Purchase Agreement defined the purchase price at € 0.8 million and a liability for € 1.5 million is related to the earn-out program.
For the remaining shares the agreement foresees a series of call options until December 2023 that are not reflected in the Financial Statements and are not material in terms of the amount.
The company is treated as a joint venture due to the fact that the shareholder has a right of veto on important business decisions, thus valuing the participation with the equity method with the existence of a financial liability to be paid for acquiring the entity.

Accounting treatment of the Chromagen Group Reps & Warranties

On 5 January 2022, Ariston Group acquired 100% of the shares and voting rights of Chromagen Group that operates in Israel, Australia and Spain.
The agreement set forth a series of representation and warranty clauses to cover Ariston Group against previous undisclosed liabilities not known at the date of the agreement. Ariston Group has withheld from the Purchase Price an amount to cover those risks which will be paid to the seller as per the agreement.
The present value of this amount is equal to € 2.1 million and it is classified under current liabilities given that the expiry date is in 2023.

The following table summarizes the fair value of financial liabilities described above:

Company	Type	% Ownership	Execution Date	Local Currency	€
Atmor Industries Group	Relocation Project	n.a.	2023	0.3 USD	0.3
Chromagen Group	Reps and Warranties	n.a.	2023	6.9 ILS	2.1
Financial liabilities related to Investments in Subsidiaries					***2.4***
Haas Heating BV	Earn out	n.a.	2023	1.5 EUR	1.5
Financial liabilities related to Investements in Third Parties					***1.5***

4. Significant accounting policies

i. Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.
A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

ii. Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability, the principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations.

External valuators are involved for valuation of significant assets, such as investment properties and unquoted financial assets, and significant liabilities, such as contingent consideration.
For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

iii. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in income statement in the period in which the expenditure is incurred.
The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or

method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category that is consistent with the function of the intangible assets.
Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.
An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Goodwill

Goodwill arising from the acquisition of a subsidiary reflects the excess of the acquisition cost over the percentage attributable to the Group, of the fair value of the subsidiary's identifiable assets, liabilities and potential liabilities at the acquisition date (IAS 36). The goodwill is recognized as an asset and undergoes an impairment test on an annual basis, or more frequently if there are events or changes in the circumstances that may result in impairment losses.
For this purpose, the goodwill, if any, resulting at the acquisition date is allocated to each of the cash generating units (CGU), which are expected to benefit from the synergy effects deriving from the acquisition. Any loss in value is identified through valuations that are based on the capacity of each unit to produce financial flows capable of recovering the part of goodwill allocated to it, according to the methods described hereinafter, in the section "Impairment of assets". If the value recoverable by the cash generating unit is below the attributed carrying value, the related impairment loss is recognized. This impairment loss is not restored if the reasons that have generated it cease to exist.
If in a subsidiary the control is lost, the portion of goodwill attributable to it at the date of the sale is included in the calculation of the gain or loss on disposal.

Internally generated intangible assets – Research and development costs

Research costs are recognized in the income statement for the period in which they are incurred.
Internally generated intangible assets deriving from the development of the Group's products are recognized under assets, only if all of the following conditions are met:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

The capitalized development costs include only the expense incurred which may be attributed directly to the development process.
These intangible assets with definite useful life are amortized on a straight-line basis over the respective useful life of the product, which is normally 5 years. Any impairment losses, and any restatement, are based on the same methods described in the section "Impairment of assets".

If the internally generated assets cannot be recognized in the financial statements, the development costs are recognized in the income statement for the period in which they are incurred.

Other intangible assets

Other intangible assets, whether purchased or internally produced, are recognized under assets in compliance with IAS 38 *Intangible Assets*, if it is likely that the use of the assets will generate future economic benefits and when the cost of the asset can be accurately measured.

These assets (such as concessions, licenses, trademarks and software) with a definite useful life are recognized at purchase or production cost and amortized on a straight-line basis over their estimated useful life. Any impairment losses, and any restatement, are based on the same methods described in the section "Impairment of assets".

Intangible assets with indefinite useful life are not amortized but are subject to evaluation in order to identify any impairment loss, yearly or more frequently, at any time there is an indication that the asset may have been impaired.

The other intangible assets recognized following the acquisition of a company are recognized separately from the goodwill, if their current value can be accurately measured.

Here below are the principles applied by the Group for intangible assets (IAS 38.118) (a) (b):

	Licenses	Trademarks	Development costs	Software
Useful life	Definite (5 years)	Indefinite	Definite (5 years)	Definite (4 years)
Amortisation method used	Amortised on a straight-line basis over the period of the license itself	No amortisation	Amortised on a straight-line basis over the period of expected future sales resulting from the related project	Amortised on a straight-line basis over the period of the usage of the software itself
Produced in-house or purchased	Purchased	Purchased	Produced in-house	Purchased

iv. Property, plant and equipment

Property, plant and equipment are recognized at cost, net of accumulated depreciation and impairment losses, if any. Construction in progress is stated at cost, net of accumulated impairment losses, if any.
The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.
Assets with components of a significant value and with a different useful life are recognized separately when depreciated.
Under IAS 16 Property, Plant and Equipment an entity has a policy choice for the measurement of property, plant and equipment after initial recognition. An entity may choose either the cost model or the revaluation model for entire classes of property, plant and equipment. The Group has elected to use the cost model for all class of assets.
The depreciation is calculated on a straight-line basis, according to the cost of the asset net of all residual values, on its estimated useful economic-technical life through the use of depreciation rates that accurately represent it. If significant parts of these tangible assets have a different useful life, they will be stated separately. The depreciation will be based on the following percentage rates:

Buildings and light constructions	from 1.8 to 3.0
Plant and machinery	from 6.0 to 15.5
Industrial and commercial equipment	from 10.0 to 25.0
Cars and internal transport vehicles	from 20.0 to 25.0
Furniture, office equipment, data processing systems	from 12.0 to 20.0

The Group reviews the estimated residual values and expected useful lives of assets at least annually.
The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Land with no construction or annexed to residential and industrial buildings, is not depreciated since it has an unlimited useful life.
An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal.

Gains and losses arising from the sale or disposal of assets are calculated as the difference between revenue from sales and the net carrying value of the asset, and are recognized in the income statement for the year.

v. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
The rights of use relating to leases are recognized in a single accounting model to recognize the lease. In accordance with this model, the entity recognizes: (1) assets and liabilities for all leases with a duration of over twelve months; (2) separately in the income statement, the amortization/depreciation of the recognized asset and the interest on the financial payable recorded.

More specifically, in order to determine the value of the assets with "right of use", the value of the related discounted liabilities, any payments made to the lessor before signing the contract, net of the incentives received, the initial direct costs incurred by the lessee as well as the provisions for removal and dismantling, if any, were taken into account.

Lease agreements in place within the Group ranges from offices, warehouses, plants, machinery and vehicles and low value assets belonging to third parties.
Lease terms are generally ranging from 1-10 years but may contains options to extend them. Terms of lease may also contain wide range of different conditions.
Falling under the IFRS 16 guidelines, the rights of use are valued at cost, net of accumulated amortization and impairment losses and adjusted after any remeasurement of the lease liabilities. The value assigned to the rights of use corresponds to the amount of the lease liabilities recognized, plus initial direct costs incurred, lease payments settled on the start date of the agreement or previously, and restoration costs, net of any lease incentives received.
The value of the liability, discounted to present value, as determined above, increases the right of use of the underlying asset, and a dedicated liablity is created as a contra-entry. The rights of use are amortized on a straight-line basis over its estimated useful life or the term of the agreement, whichever is the shorter. The financial liability for leases is recognized on the start date of the agreement at a total value equal to the present value of the lease payments to be made during the term of the agreement, discounted to present value using incremental borrowing rates (IBR) when the implicit interest rate in the lease agreement cannot easily be determined. Variable lease payments which are not linked to an index or rate continue to be charged to the income statement as costs for the period.
After the start date, the amount recorded for the liabilities relating to lease contracts increases to reflect the accrual of interest and reduces to reflect the payments made. Each lease payment is divided into a repayment of the capital portion of the liability and a financial cost. The financial cost is charged to the income statement over the term of the agreement to reflect a constant interest rate on the remaining debt portion of the liability for each period.
The term of the lease is calculated taking into account the non-cancellable period of the lease together with the periods covered by an option to extend the agreement if it is reasonably certain that it will be exercised, or any period covered by an option to terminate the lease contract, if it is reasonably certain it will not be exercised. The Group assesses whether it is reasonably certain that it will exercise the options to extend or will terminate the agreements taking into account all the relevant factors that create a financial incentive for such decisions.

On the basis of the practical expedients, recognition exemptions for low-value and short-term leases, equal to € 14.6 million for 2022 (€ 11.2 million for 2021) was not considered and € 5.2 million for 2022 (€ 4.7 million for 2021) out of scope IFRS 16 which are comprise mainly away tolls and rent contracts for IT equipment.

The agreements are either included or excluded from the application of the standard based on detailed analysis carried out for each agreement and in line with the rules laid down by IFRS standards.

Financial liabilities relating to IFRS 16 leases are initially measured at the present value of the lease payments still to be paid.
With respect to some of its leases, the Group has the option to extend or terminate them. The Group applies judgement when assessing whether it is reasonably certain to exercise renewal options. That said, the Group considers all relevant factors that may create an economic incentive to exercise the options to renew or terminate the lease. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that are within its control and affect whether it can exercise (or not exercise) an option to renew or terminate the lease (e.g. investments in leasehold improvements or specific material changes to the leased asset). In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The exercise price for the underlying asset, in the presence of purchase options, and/or the contractual value of the penalties, in the case of early termination of the lease, are included in the value of the financial liability only if their exercise is reasonably certain.
Following initial recognition, financial liabilities relating to IFRS 16 leases are valued using the amortized cost method.
The discount rate at which the lease payments that are still to be paid are discounted is called lessee's incremental borrowing rate and is equal to the interest rate the lessor would have paid if they had borrowed money to the value of the right of use, with payment terms similar to the contractual duration of the lease in a similar economic environment. Management estimated the discount rate by individual country, on the basis of the contractual duration and the total amount of the current "lease portfolios with similar characteristics".

vi. Impairment of assets

At each reporting date, the Group reviews the carrying value of its tangible and intangible assets to verify whether there is any indication that they were subject to an impairment loss. If there are indications of impairment, the Group estimates the recoverable amount of the assets to calculate the related impairment loss. If it is not possible to estimate individually the recoverable amount of an asset, the Group estimates the recoverable value of the cash generating unit to which the asset belongs.
Intangible assets with an indefinite useful life, including goodwill, are assessed on an annual basis or more frequently if there is an indication of possible impairment losses.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In calculating the value in use, the estimated future cash flows are discounted to their current value using a discount rate that reflects the current market values relating to money and the risks associated with the asset.
If the recoverable amount of an asset (or of the CGU) is estimated to be lower than its carrying value, it is reduced to the lower recoverable amount. Impairment losses are immediately recognized in the income statement.

If a depreciation has no longer a reason to exist, the carrying value of the asset (or of the CGU), excluding the goodwill, is increased to the new amount resulting from the estimate of its recoverable value, but not above the net carrying value that the asset would have had if the loss had not occurred. The restored value is recognized in the income statement.

vii. Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying value and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.
Non-current assets (and disposal groups) are classified as held for sale when the Group expects that their carrying value will be recovered through sale rather than used in its operating activities. This condition is met only when the sale is highly probable, the asset (or group of assets) is held for immediate sale in its current condition, and Management has committed to the sale, which should occur within 12 months from the date of classification of this item.
Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.
Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.
Financial activities related to ceased or discontinued operations, net of tax effects, are recognized under one single item in the consolidated income statement, including the comparative data of the relevant period.

viii. Investments in associates

Investments in associates are recognized according to the equity method, starting from the date of the significant influence by the Group up to the time when this influence ceases to exist, as described in the previous paragraph "Consolidation and translation principles".

ix. Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.
In line with IFRS 9, financial assets, which are represented by debt instruments (trade receivables, financial receivables, etc.), are classified on the basis of the business model (the way the Group manages financial assets in order to generate cash flows) and the contractual characteristics of the cash flows (the so-called SPPI test, "solely payment of principal and interest"), in one of the following categories:

- amortized cost, for the financial assets held with the aim of receiving the contractual cash flows which pass the SPPI test, since the cash flows represent solely payment of principal and interest; this category includes trade receivables, other operational receivables included in other current and non-current assets, and financial receivables included in other current and non-current financial assets;
- fair value through shareholders' equity (FVOCI), for financial assets held with the aim of collecting cash flows, both contractual, which represent solely payments of principal and interest, and from sales. The changes in fair value subsequent to initial recognition are offset under OCI and are recycled to the income statement upon de-recognition;
- Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the Income statement. This category mainly includes derivative instruments.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.
With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section (e) Revenue from contracts with customers.

The Group envisages, as per the provisions of the new IFRS 9, the treatment of non-strategic investments and investment funds shares at FVTPL; while other investments, which are considered strategic, are treated individually and, at the moment, are all valued at FVTOCI.

Contingent consideration classified as an asset (or liability) that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in income statement.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

- Financial assets at amortized cost (debt instruments)
  Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in income statement when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost includes trade receivables, loan to an associate and loan to a director included under other non-current financial assets. Trade receivables are originated in the ordinary course of business and held within a business model with the objective to hold the receivables in order to collect contractual cash flows that meet the 'solely payments of principal and interest' criterion under IFRS 9, therefore they are measured at amortized cost using the effective interest rate method. The Group applies the amortized cost only for trade receivables with maturities greater than one year are discounted to present value.

- Financial assets at fair value through OCI (debt instruments)
  For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the income statement and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to income statement. The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.
- Financial assets designated at fair value through OCI (equity instruments)
  Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to income statement. Dividends are recognized as other income in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to classify irrevocably its non-listed equity investments under this category.
- Financial assets at fair value through profit or loss
  Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the income statement. This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the income statement when the right of payment has been established.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired

Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions – refer to sub-paragraph 'xxi. - Significant accounting judgements, estimates and assumptions'
- Trade receivables, including contract assets as described below

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in two stages. For credit exposures for which there has not

been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).
For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

- Financial liabilities at fair value through profit or loss
  Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities as at fair value through profit or loss also include derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition and only if the criteria in IFRS 9 are satisfied.

- Financial liabilities at amortized cost (loans and borrowings)
  This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in income statement when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement. This category generally applies to interest-bearing loans and borrowings.

De-recognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

Derivatives

If derivative instruments are held for trading, they are measured at fair value while offset in the income statement; if the same are classified as effective hedging instruments against changes in the fair value of assets, liabilities, obligations assumed by the Group or related future cash flows, the Group applies hedge accounting.
The Group, consistent with its internal policies, does not use financial instruments of a speculative nature (i.e. for trading). The Group uses financial derivative instruments mainly to hedge its exposure to exchange rate risk, interest rate risk and commodity price fluctuation risk.

With reference to the classification of hedging transactions, the provisions of IFRS 9 require that:

- there is an economic relationship between the hedged item and the hedging instrument, such as to offset the related changes in value;
- this ability to offset is not undermined by the counterparty's credit risk level;

a ratio between the hedged object and the hedging instrument (the so-called hedge ratio) is defined, in line with the derivatives risk management objectives, as part of the established derivatives risk management strategy, rebalancing where necessary. Changes in the derivatives risk management objectives, the termination of the above conditions to classify hedging transactions or rebalancing lead to the future, total or partial, discontinuation of the hedge.
Financial instruments are recognized according to hedge accounting rules when:

- at the beginning of the hedging, the formal designation and documentation of the hedging exist;
- the hedging is assumed to be effective;
- the efficacy can be accurately measured and the hedging itself is highly effective during the relevant periods.

The Group applies the cash flow hedge (IFRS 9), if the hedging relationship of changes in the cash flows originating from an asset or liability or a future transaction (hedged underlying element), that is deemed as likely to occur and that could have an impact on other comprehensive income and equity (cash flow hedge reserve), is formally documented.
Changes in the value of the derivatives designated as fair value hedge and that are qualified as such, are recognized in the income statement, consistent with the changes in the fair value of the hedged assets and liabilities. If the derivative, even if created with non-speculative intent, does not meet all the formal requirements necessary to be designated in hedge accounting, the changes in fair value are recognized in the income statement, under the same line of the changes in hedged item.

x. Inventories

Inventories are recognized at the lesser value between purchase and production cost, according to the weighted average cost method and their net realizable value.
Cost includes direct materials and direct labour general production costs and other costs incurred to bring inventories to their current location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.
Lastly, some obsolete stock provisions are calculated for materials, finished goods and spare parts that are considered obsolete or slow moving, keeping into account their expected future use and realizable value.

xi. Cash and cash equivalents

Cash and cash equivalents are recognized at their nominal value and include numeric values, i.e. those values that meet the requirement of on demand or very short-term availability, positive outcome and no costs of disposal with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. This item also includes the collection and payment instruments that have been subject to an account recording at the servicing financial institution as at the closing date of the period notwithstanding any subsequent different accounting records.

xii. Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in Income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any gain or loss resulting from subsequent sales is recognised in equity.

xiii. Provisions for risks and charges

General

The Group recognizes provisions for risks and charges when it has a present obligation, either legal or constructive, toward third parties arising from a past event, and it is likely that it will be necessary to use the resources of the Group to meet the obligation, and when it is possible to make an accurate estimate of the amount of the obligation itself.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Changes in estimates are reflected in the income statement of the period when the change has occurred.
Disclosures about provisions follow IAS 37 (paragraph 92) which regulates and limits these indications when they might prejudice the company’s position in any disputes.

Uncertain tax position

According to IFRIC23 ‘Uncertainty over Income Tax Treatments’ to clarify the accounting for uncertainties in income tax is applied.
The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

In the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it is used or plans to use in its income tax filling.

If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

In case facts and circumstances changes, the entity shall reassess its judgements and estimates.

Warranty provisions

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognized when the product is sold, or the service is provided to the customer. Initial recognition is based on historical experience. The estimate of warranty-related costs is revised annually.

Restructuring provisions

Restructuring provisions are recognized only when the Group has a constructive obligation, which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan’s main features.

xiv. Employment benefits

Group companies provide post-employment benefits to staff, both directly and by contributing to external funds.
The procedures for providing these benefits vary depending to the legal, fiscal and economic conditions in each country in which the Group operates.
Employee benefits are accounted under the IAS 19 and IFRS 2.
Group companies provide post-employment benefits through defined contribution and/or defined benefit plans.

Post-employment benefits

i. Defined benefit plans

The Group's obligations and the annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method.
The net cumulative value of actuarial gains and losses is recorded directly in the statement of other comprehensive income and is not subsequently recognized in the income statement. The costs associated with an increase in the present value of the obligation, as the time for payment of the benefits draws nearer, are included under financial expenses. Service costs are posted to the income statement.
The liability recognized represents the present value of the defined benefit obligation, less the present value of plan assets. If an amendment to the plan changes the benefits accruing from past service, the costs arising from past service are recognized in the income statement at the time the change to the plan is made. The same treatment is applied if there is a change to the plan that reduces the number of employees or that amends the terms and conditions of the plan (the treatment is the same, regardless of whether the final result is a profit or a loss).

For defined benefit plans, remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit/contribution liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit/contribution liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to income statement in subsequent periods.
Past service costs are recognized in income statement on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit/contribution liability or asset. The Group recognizes the following changes in the net defined benefit/contribution obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in the consolidated income statement (by nature):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

ii. Defined contribution plans

Since the Group fulfils its obligations by paying contributions to a separate entity (a fund), with no further obligations, the company records its contributions to the fund in respect of employees' service, without making any actuarial calculation.
Where these contributions have already been paid at the reporting date, no liabilities are recorded in the financial statements.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.
That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the income statement for a period represents the movement in cumulative expense recognized as at the beginning and end of that period. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.
No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

xv. Grants

Government grants, obtained against investments, are recognized in the income statement when the conditions for recognition are met (i.e. when there is reasonable certainty of recognition) as deferred income, over the period required to relate them to their respective costs.
When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.
When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to income statement over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

xvi. Revenue and income

In order to recognize and measure revenue so as to faithfully represent the process of transferring goods and services to customers for an amount which reflects the expected consideration from the goods and services supplied, the Group applies a model consisting of five essential stages, as envisaged by IFRS 15: to identify the contract with the customer (stage 1); to identify the contractual obligations recognizing the goods or services which can be separated as separate obligations (stage 2); to determine the transaction price, i.e. the expected consideration (stage 3); to allocate the transaction price to each obligation identified in the contract on the basis of the stand-alone sale price of each separable good or service (stage 4); to recognize revenue when the related performance obligation is satisfied, i.e. upon transfer of the good or service promised to the customer (stage 5). The transfer is considered completed when the customer obtains control of the good or service, which can happen at a point in time. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.
In applying the aforementioned model, Ariston Group took into consideration the specific facts and circumstances mainly arising from the regulations in place in the various jurisdictions where the Group companies operate. The most important situations for the purposes of the consolidated financial statements refer mainly to the following revenue streams (standard categories for contractual terms and conditions (T&C) with customers, which describe the nature, amount, timing and cash flows):

Revenue stream	"Revenue stream" description	% Revenues 2022	% Revenues 2021
Professional	Customers are mainly installers, medium-large distributors and professionals in the field of Thermal Comfort. Standard T&Cs apply and the main performance obligation is characterized by the sale of finished products including variable considerations too. The Group acts as principal.	73%	70%
DIY (Do it yourself)	Customers are large retailers. The main performance obligation is characterized by the sale of finished products and the variable considerations are significant. T&Cs are decided by the customer by means of annual framework agreements. The Group acts as principal.	7%	7%
Business-to-business (B2B)	The main performance obligation is characterized by the sale of components, burners and heating only for specific projects: e.g., for institutions (schools, hospitals, etc.). The Group acts as principal.	8%	9%
Service	Indirect service: maintenance and repair services offered through Technical Support to the end customer. Direct service: maintenance and repair services offered directly to the end customer. Spare Parts: Related to Service activities (in PL reported as Net Revenue from Sales). The Group acts as principal.	12%	14%
Total		**100%**	**100%**

The revenue from the sale of goods under the IFRS15 follow the here listed paragraphs:

- Cut off: revenue is recognized at a point in time on the basis of the means of delivery agreed with the customer;
- Cash discount: cash discount is considered as a net of revenue;
- Rights of Return: the Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. A refund liability is recognized for the goods that are expected to be returned. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover the goods from the customer;
- Volume rebate: volume rebate is calculated on actual basis and accounted balancing the accounts receivable;
- Payables to Customers: Payable to customers includes cash amounts that the Group pays or expects to pay to the customers. Payables to customers are recognized as net of revenue;
- Warranties: the Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for as warranty provisions. The Group also provides a warranty beyond fixing defects that existed at the time of sale. These service-type warranties are sold either separately or bundled together with the sale of products. Revenue for bundled sales and service-type warranty comprise two performance obligations due to the fact that products and service-type warranty are both sold on a stand-alone basis and are distinct within the context of the contract or the business practice of the market where the Group operates. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognized as a contract liability. Revenue for service-type warranties is recognized over the period in which the service is provided based on the time elapsed.

The revenue from service under the IFRS15 are accounted at point in time as well as over the time. The former is accomplished not under service maintenance contracts but for pure repair once not covered by warranty. Under service maintenance contracts, the Group offers customers the opportunity to sign either a one-year or multi-years service contracts, under which the Group undertakes to perform maintenance service and remedy certain defects that are not covered by the warranty provided. Service contracts are separate performance obligations and are met over time in accordance with IFRS 15. The amount received is therefore taken up as revenue over the term of the service contract.

Assets and liabilities arising from rights of return

Right of return assets

A right-of-return asset is recognized for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is recognized for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Regarding the use of significant assumptions to be referred to sub-paragraph '*Revenue recognition'* included in the paragraph '*Significant assumptions'.*

xvii. Taxes

Current income tax

Current taxes are based on the taxable income for the year. The taxable income is different from the profit/loss recognized in the income statement since it excludes positive and negative items which are taxable or deductible in other years and it also excludes items that will never be taxable or deductible.
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.
Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred taxes are those that the Group expects to settle or recover based on the temporary differences between the carrying value of assets and liabilities and their corresponding tax values used for calculating taxable income. They are recognized using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, whereas deferred tax assets are recognized only if it is probable that there will be future taxable income against which deductible temporary differences can be used. Deferred tax assets and liabilities are not recognized if the temporary differences derive from goodwill or the initial recognition (not in business combinations) of other assets or liabilities in transactions that do not affect the profit (loss) for the year or the taxable income.
In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
The carrying value of deferred tax assets is reviewed at each reporting date and impaired, if it is no longer probable that sufficient taxable income exists that can enable recovery of all or part of the assets.
In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.
Deferred taxes are calculated at the tax rate that is expected to be applied when the asset is realized or the liability extinguished. Deferred taxes are recognized directly in the income statement, except for those related to items recognized directly under equity, in which case the deferred taxes are also recognized under equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

xviii. Earnings per share

The basic earnings per share are calculated by dividing the portion of profit/loss attributable to the Group by the weighted average of the outstanding shares of the year.
The diluted earnings per share are calculated keeping into account, both as regards the portion of profit/loss attributable to the Group and the above-mentioned weighted average, the impact deriving from the total subscription/conversion of all potential shares that may be issued through the exercise of outstanding options.

xix. Dividends

Dividends are recognised as changes in equity in the year when the Group's unconditional right to receive payment arises, that is when the shareholders' meeting approves the distribution of dividends.

xx. Transactions in a foreign currency

Should a company in the Group have a monetary item to be received or to be paid in regard to another foreign subsidiary, for which settlement is not planned nor is it likely that it may occur in the foreseeable future and is substantially part of the entity's net investment in this foreign operation, it is recognised in accordance with the provisions of IAS 21 (paragraphs 32 and 33). This envisages the treatment of the related differences in exchange rates recognised under the items of the statement of comprehensive income in the consolidated financial statements which include this foreign operation.

xxi. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

When the carrying amount of property, plant and equipment, investment property, intangible assets, right-of-use assets, goodwill and investments in associates/joint ventures exceeds its recoverable amount, which is the higher of the fair value less costs of disposal and the value in use, the assets are impaired. Such impairments are carried out in accordance with the provisions of IAS 36, as described in greater detail in note 2.1. In order to determine the recoverable amount, the Group generally adopts the value in use criterion. Value in use is based on the estimated future cash flows generated by the asset, discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and of the specific risks of the asset. Future cash flows used to determine value in use are based on the most recent business plan, approved by the management, containing forecasts for volumes, revenue, operating costs. These projections cover the next three years. For subsequent years, the assumption is the perpetual income. Nevertheless, possible changes in the underlying assumptions on which the calculation of such amounts is based could generate different recoverable amounts. The analysis of each group of non-financial assets is unique and requires management to use estimates and assumptions considered prudent and reasonable in the specific circumstances.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in 'Credit Risk' included in section '6.4 - Other information'.

Taxes

Income taxes include all taxes based upon the taxable profits of the Group. Taxes on income are recognized in income statement except to the extent they relate to items recognized directly in equity or in other comprehensive income, in which case the related tax effects are recognized directly in equity or in other comprehensive income. Deferred taxes are calculated on temporary differences between the tax base of an asset or liability and the carrying amounts in the Consolidated Financial Statements, Deferred tax assets relating to the carry-forward of unused tax losses are recognized to the extent it is probable future profits will be available against which they can be utilized. Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and where there is a legally enforceable right of offset. Deferred tax assets and liabilities are measured at the enacted or substantively enacted tax rates of the relevant tax jurisdictions that are expected to apply to taxable income during the period or periods in which the temporary differences reverse. Other taxes not based on taxable profits, such as property taxes and taxes on capital, are included in operating expenses.

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Revenue recognition - Estimating variable consideration for returns and volume rebates

The Group estimates variable considerations to be included in the transaction price for the sale of goods with rights of return and volume rebates.
The Group has developed a statistical model for forecasting sales returns. The model uses the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.
The Group applied the statistical model for estimating expected volume rebates for contracts. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

Leases - Estimating the incremental borrowing rate

The Incremental Borrowing Rate (IBR) is defined as the interest rate the lessee would incur to borrow under a secured loan with terms similar to those of the lease, with a similar security and in a similar economic environment. Such interest rate is identified through the Bloomberg database by applying the following relevant criteria to enhance the comparability:

- The credit rating;
- The term of the loan;
- The currency of denomination;
- The geographies (depending on the cases, countries or regions);
- The industry of the borrowing entity.

In order to obtain statistically significant samples of comparable transactions, a flexibility in the above criteria shall be preserved and specific adjustments can be made to account for particular comparability factors. When the base rate is negative, a zero floor to the base rate is applied.

For more information on leases, please see note 2.2 and 3.5.

Contingent liabilities

The Group trigger provisions once pending or threatened disputes or legal proceedings are considered as a probable event, for which there could be an outflow of funds with the amount reasonably estimated. If an outflow of funds becomes possible but the amount cannot be estimated, the matter is disclosed in the notes to the Consolidated Financial Statements. The Group could be subject of legal and tax proceedings from various jurisdictions and for complex issues therefore eventually monitoring the status of pending legal proceedings consulting with matters' experts on regular basis. Due to the uncertainty inherent to in matters, it is difficult to predict the outflow of funds that could result from such disputes with any certainty.

Climate change

In preparing the Consolidated Financial Statements the Group has considered the impact of climate change as requested by ESMA in its ECEP published in October 2021. Ariston Group pursues the definition of paradigms related to energy efficiency and to minimizing the environmental footprints. The Group is constantly evolving in order to be a forerunner about the negative environmental impacts.
In the Consolidated Financial Statements, the Group does not have a material climate change impacts given that the Group has embraced a day-by-day handling dedicated to technological progress.
In applying the Accounting Standards, the Group has considered the impacts arising from climate change. In particular, the Group, in performing the impairment activities of non-financial assets, has considered the economic and financial impacts resulting from the actions carried out by the Group in order to be in compliance with climate changes regulations. In performing the analysis on Inventory, the Group has considered for materials and products in stock the technological obsolescence which can arise from climate changes.

5. Changes in accounting standards

The accounting policies adopted in the preparation of the Consolidated Financial Statements as of 31 December 2022 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.
Several amendments apply for the first time in 2022, but do not have an impact on the Consolidated Financial Statements of the Group.

i. Summary of the new accounting standards adopted by the Group from 1 January 2022

As from 1 January 2022 the following amendments of accounting standards have become applicable to the Group:

- *Reference to the Conceptual Framework – Amendments to IFRS 3.*
  The amendments replace a reference to a previous version of the IASB's *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  These amendments had no impact on the Consolidated Financial Statements of the Group.

- *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16.*
  The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in income statement.

  These amendments had no impact on the Consolidated Financial Statements of the Group.

- *IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities.*
  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

  These amendments had no impact on the Consolidated Financial Statements of the Group.

- *IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.*
  The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

  These amendments had no impact on the Consolidated Financial Statements of the Group.

- *IAS 41 Agriculture – Taxation in fair value measurements.*
  The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

  These amendments had no impact on the Consolidated Financial Statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

- *Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37.*
  The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  These amendments had no impact on the Consolidated Financial Statements of the Group.

ii. Accounting standards, amendments and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's Consolidated Financial Statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*
  The IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current by clarifying:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  These amendments are effective on or after 1 January 2023. The amendments are not expected to have a material impact on the Group.

- *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*

In February 2021 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS *Practice Statement 2: Disclosure of Accounting policies* which require companies to disclose their material accounting policy information rather than their significant accounting policies and provide guidance on how to apply the concept of materiality to accounting policy disclosures.

These amendments are effective on or after 1 January 2023. The amendments are not expected to have a material impact on the Group.

- *Definition of Accounting Estimates - Amendments to IAS 8*
  In February 2021 the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* which clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

  These amendments are effective on or after 1 January 2023. The amendments are not expected to have a material impact on the Group.
- *IFRS 17 - Insurance Contracts*
  In May 2017 the IASB issued IFRS 17 *Insurance Contracts*, which establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued as well as guidance relating to reinsurance contracts held and investment contracts with discretionary participation features issued. In June 2020 the IASB issued amendments to IFRS 17 aimed at helping companies implement IFRS 17 and make it easier for companies to explain their financial performance.

  The new standard and amendments are effective on or after 1 January 2023. This accounting standard does not apply to the Group.
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12*
  In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

  The Group is currently assessing the impact of the amendments.
- *Lease Liability in a Sale and Leaseback – Amendments to IFRS 16*
  In September 2022, the International Accounting Standards Board (IASB) has issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

  Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in income statement any gain or loss relating to the partial or full termination of a lease.

  The new standard and amendments are effective on or after 1 January 2024. The amendments are not expected to have a material impact on the Group.

6. Disclosure to the Financial Statements

This section details the results and performance for the period ended 31 December 2022.

6.1 Income statement

Note 1.1 – Revenue and Income

During 2022, the Group recorded revenue of € 2,378.8 million, compared to € 1,987.3 million in the previous year, with an increase of € 391.5 million (+19.7%).

The increase arises from organic growth of the Group (+9.0%) and from a perimeter variation related to the business combination with Chromagen group concluded in January 2022.

The Revenue item can be broken down as follows:

Revenue and Income *(in € million)*	31.12.2022	31.12.2021
Revenue from sales	2,223.7	1,848.0
Revenue from services	140.5	126.9
Other revenue	14.6	12.5
Net revenue	**2,378.8**	**1,987.3**
Other revenue and income	42.7	34.1
Total	**2,421.5**	**2,021.5**

"Other revenue and income" totalled € 42.7 million at 31 December 2022 and € 34.1 million at 31 December 2021.
"Other revenue and income" is represented by items that do not directly refer to the production activities of the Group but are all the same connected to the core business.
They included income related to no longer due payables, the gains on the disposal of fixed assets and other income.
At 31 December 2022, they totalled € 42.7 million, an increase of € 8.6 million compared to the same period of previous year, mainly due to contingent gains for differences between accrual made in previous periods and the costs actually occurred.

Revenue by business line

Thermal Comfort. Serves the Group's two main business categories, Hot Water and Heating, and represents the Group's largest division, recording net revenue of € 2,187.4 million, or 92.0% of total revenue, in 2022 compared to € 1,807.0 million, or 90.9%, in 2021, up € 380.4 million or 21.1% (of which 13.6% organic and foreign exchange impact). The Thermal Comfort division stood out for the steady growth of its European markets and all the key markets of the other geographical areas.

Components. Recorded net revenue of € 95.5 million for 2022, or 4.0% of total net revenue, compared to € 85.8 million, or 4.3%, in 2021. The increase in net revenue by € 9.7 million or 11.3% was driven by the professional business and the price increase on domestic business.

Burners. Recorded net revenue of € 95.9 million for 2022, or 4.0% of total revenue, compared to € 94.6 million, or 4.8% of total revenue, for 2021, up € 1.3 million or 1.4%. The substantial stability is due to the growth in some key markets such as Germany and Netherlands that balanced the reduction in Russia and China.

Net revenue by geographical area

Europe. Represents the Group's largest market, recording net revenue of € 1,537 million for 2022, or 64.6% of total revenue, compared to € 1,323 million, or 66.5%, in 2021, up € 214 million or 16.2% (of which 15.8% organic and foreign exchange impact). The increase was mainly driven by the growth in renewable and high-efficiency products in some important markets such as Poland, Italy, and others Eastern European markets.

Asia, Pacific & MEA. Represents the second largest market for the Group, recording net revenue of € 542 million for 2022, or 22.8% of total revenue, compared to € 385 million, or 19.4%, in 2021, up € 157 million or 40.6% (of which 7.5% organic and foreign exchange impact). The organic increase was mainly driven by a good performance on the water heater market in Indonesia, Vietnam and India.

Americas. Represents the Group's third largest market and reported net revenue of € 300 million for 2022, or 12.6% of total revenue, compared to € 280 million, or 14.1%, in 2021, up € 20 million, or 7.4% (of which 6,7% organic and foreign exchange impact). The increase was mainly due to a good performance on the heating market (US and Canada).

Note 1.2 – Raw materials, consumables and goods for resale

At 31 December 2022, the purchase cost of "Raw materials, consumables and goods for resale" amounted to € 1,243.3 million, increased by € 255.3 million compared with the same period of the previous year.
The trend in purchases and the change in inventories highlight an increase in the average percentage of raw materials consumed to revenue, a percentage which, from 44.3% in December 2021, to 48.4%, where with the decrease in prices for steel, polypropylene, copper, polyurethane, the Group suffers a counter effect with the price increase on electric and electronic components.

Note 1.3 – Services

"Services" amounted to € 481.3 million versus € 433.1 million at December 2021, increased by € 48.2 million, and can be detailed as follows:

Services *(in € million)*	31.12.2022	31.12.2021
Logistics and transport	158.1	121.7
Sub-contracted work and maintenance	77.3	108.2
Advertising and promotion	41.2	37.4
Technical support	34.1	18.4
Bonuses and commissions	31.7	28.3
Utilities	29.6	20.9
Consulting services	28.6	29.8
Rental and lease expenses	19.8	15.9
Travel expenses	14.8	9.6
Interoffice services	12.5	11.3
Insurance	10.0	7.5
Directors and Statutory Auditors' Fees	7.6	8.1
Other services	16.0	15.8
Total	**481.3**	**433.1**

During 2022 the Group's ongoing growth in the various sectors of Climate Solutions impacted the variable costs connected to sales and production, with an increase mainly in "Logistics and transport" of € 36.4 million and "Utilities" of € 8.7 million, both effects are driven by price increases.

The acquired Chromagen Group added service costs for € 25.1 million.

Note 1.4 – Personnel

A breakdown of personnel costs by nature is shown in the table below:

Personnel *(in € million)*	31.12.2022	31.12.2021
Wages and salaries	362.5	322.7
Social security costs	77.2	71.5
Provision for Employees severance indemnity	7.2	6.4
Provision for retirement benefits and other funds	-1.0	-0.4
Other personnel costs	13.2	12.1
Total	**459.0**	**412.3**

In December 2022, "Personnel" amounted to € 459.0 million, up by € 46.7 million compared with the same period of the previous year, due to the normal trend in salary inflation (fixed and variable components) in the various countries where the Group operates, also following the organisational changes and perimeter variation.

"Wages and salaries" totalled € 362.5 million at 31 December 2022 and € 322.7 million at 31 December 2021.

"Provision for Employees severance indemnity" and "Provision for retirement benefits and other funds" include the net impact of accruals and releases for the period.

At 31 December 2022, the Group's workforce increased from 7,858 (workforce 2021 restated owing to a different calculation method used in 2022) at 31 December 2021 to 7,975.

The headcount by category of employee as follow:

Headcount (number of people)	31.12.2022	31.12.2021	Average	Delta
Managers and white collars	4,059	3,849	3,954	210
Blue collars	3,916	4,009	3,963	-93
Total	**7,975**	**7,858**	**7,917**	**117**

At 31 December 2022, the number of employees was 7,975 of whom 1,847 were based in Italy, 5,834 were based all around the world and 294 were based in the Netherlands.

Note 1.5 – Provisions

During 2022, "Provisions" were recognised for € 14.0 million versus € 19.7 million in the same period of 2021. In detail, the provisions were as follow:

Provisions *(in € million)*	31.12.2022	31.12.2021
Product warranty provision	11.1	10.5
Provision for installation	3.4	3.0
Provision for restructuring	0.6	1.6
Provision for legal disputes	-0.4	2.2
Bad debt provision	-0.6	0.6
Other provisions	-0.1	1.7
Total	**14.0**	**19.7**

The total amount is basically in line with the same period of the previous year.
For further details about movements in the period, refer to 'Note 2.9 – Trade Receivables' for 'Bad Debt provision' and 'Note 3.3 - Non-Current Provisions'.

Note 1.6 – Other operating expenses

“Other operating expenses” amounted to € 30.4 million, versus € 27.3 million of the same period of the previous year, and can be detailed as follows:

Other operating expenses *(in € million)*	31.12.2022	31.12.2021
Non-income tax and other levies	10.8	8.5
Non periodic losses	8.6	8.0
Concession rights and other	2.6	2.9
Office supplies and printing	1.9	2.0
Subsidies and contributions	0.9	0.7
Losses on receivables	0.9	1.6
Losses on assets	0.9	0.4
Other operating expenses	3.9	3.4
Total	**30.4**	**27.3**

This item includes all ordinary operating expenses that cannot be recognised under other items and in the “Non periodic losses” the difference between accruals made in previous periods and the costs actually incurred.

Note 1.7 – Operating profit

In December 2022 “Operating profit”, amounted to € 193.7 million compared to € 171.2 million as of December 2021. The significant increase is explained by the above detailed variances.

Note 1.8 – Financial income

In 2022, “Financial income” amounted to € 6.0 million, which is a better result than the previous year, when the same item amounted to € 4.5 million. The item is as follows:

Financial income *(in € million)*	31.12.2022	31.12.2021
Interest income from bank	2.9	1.6
State Green Programmes	2.2	2.3
Employee benefits	0.6	0.3
Other financial income	0.3	0.2
Total	**6.0**	**4.5**

The year-on-year change was largely attributable to the item “Interest income from bank”, resulting from an increase in short-term liquidity investment. The other items making up the total were largely unchanged.

Note 1.9 – Financial expense

“Financial Expense” amounted to € 15.7 million at the end December 2022 versus € 12.4 million realized in 2021. This line item can be detailed as follows:

Financial expense *(in € million)*	31.12.2022	31.12.2021
Interest and other expenses due to bank	10.3	7.7
Leases	1.9	1.4
Put and Call	1.4	2.4
Employee benefits	1.4	0.6
Other financial expense	0.7	0.3
Total	**15.7**	**12.4**

Compared to the previous year, "Financial Expense" increased by € 3.3 million, mainly due to "Interest and other expenses due to bank" which are also reflecting the impact generated by the new debt loan signed in 2022.

Note 1.10 – Exchange rate gains/losses

"Exchange rate gains/losses" showed a negative result of € 8.9 million, which can be broken down as follows:

Exchange rate gains/losses *(in € million)*	31.12.2022	31.12.2021
Exchange rate gains	43.2	24.5
Exchange rate losses	-52.1	-34.7
Unrealised exchange rate gains	7.5	17.0
Unrealised exchange rate losses	-7.5	-2.7
Total	**-8.9**	**4.1**

"Exchange rate gains/losses" include the monetary changes on the accounting entries that were realised at the end of the reporting period; "Unrealised exchange rate gains" and "Unrealised exchange rate losses" include the monetary changes that are not yet realised because they refer to transactions that were not closed at the end of the reporting period.

The result for the period relating to realised and unrealised exchange differences was mostly negatively affected by the devaluation of Argentine peso and Nigerian naira against US dollar and Mexican peso against the Euro.

Note 1.11 – Profit (loss) on investments

The item "Profit (loss) on investments" was positive for € 4.7 million, up by € 6.6 million compared with the previous year, mainly due to the remeasuring of the value of obligations relating to Put and Call options connected to acquisitions, with the recognition in the income statement of any valuation differences.

As at 31 December 2022, the amount equal to € 4.9 million is mainly due to the Put and Call option execution of HTP Comfort Solutions LLC, now known as Ariston Thermo USA LLC. Refer to 'Note 3.13 - Other current liabilities' for further explanation.

Note 1.12 – Taxes

Tax expense (income) and the related profit before tax for the years ended as at 31 December 2022 and 2021 consisted of the following:

Taxes *(in € million)*	2022	2021	Delta
Profit before taxes	179.8	165.4	14.4
Current taxes	41.3	54.7	-13.4
Deferred taxes	-1.7	-25.6	23.9
Total taxes	**39.5**	**29.1**	**10.4**

The 2022 current taxes show a decrease of € 13.4 million compared to 2021 current taxes. This is due to the fact that 2021 current taxes were negatively impacted by the 3% substitute tax arising from the revaluation of tangible and intangible assets carried out in Italy for Local GAAP and tax purposes pursuant to art. 110 of the Law Decree no. 104/2020, converted in Law no. 126/2020 equal to € 19.4 million. Without the 2021 negative impact, current taxes show an increase of € 6.0 million mainly due to the increase of the profit before taxes. Current taxes also include an amount of € 1.1 million of taxes related to prior years.

The reduction of € 23.9 million in deferred tax assets is mainly due to the impact of the revaluation of tangible and intangible assets carried out in Italy for Local GAAP and tax purposes in the 2021 financial statements. The revaluation and its related tax effects had a positive net impact on deferred taxes equal to € 29.2 million in 2021. Deferred tax liabilities also include an amount of €1.2 million related to prior years.

Ariston Holding N.V. is incorporated in the Netherlands but is a tax resident of Italy. The reconciliation of the differences between the theoretical income taxes at the parent local rate and the total income taxes is presented based on the Italian local corporation income tax rate in force in 2022 of 24%. A reconciliation of Ariston's income tax expense for the years ended as at 31 December 2022 is as follows:

Effective tax rate reconciliation *(in € million)*	2022	%
Taxes at nominal Tax Rate	**43.2**	**24.0%**
Foreign income taxed at different rates	-3.5	-1.9%
Deferred taxes not recognized and write down	2.1	1.2%
Italian IRAP	5.5	3.1%
Recognition or use of previously unrecognized DTA	-1.6	-0.9%
Permanent differences	-1.7	-1.0%
Italian revaluation	-7.2	-4.0%
Prior year taxes	2.3	1.3%
Other	0.5	0.3%
Effective Taxes Charge	**39.5**	**22.0%**

For comparative purposes, here below is shown a reconciliation of Ariston's income tax expense for the year ended as at 31 December 2021:

Effective tax rate reconciliation *(in million €)*	2021	%
Taxes at nominal Tax Rate	**39.7**	**24.0%**
Revaluation effect	-14.5	-8.8%
IRAP	5.0	3.0%
Tax benefits recorded in Italy	-2.0	-1.2%
Foreign income taxed at different rates	-1.8	-1.1%
Net Deferred taxes not recognized on losses	1.4	0.8%
Other	1.4	0.9%
Effective Taxes	**29.1**	**17.6%**

The 2022 effective tax rate is positively impacted by the on-going net benefit connected to the revaluation of tangible and intangible assets carried out for both Local GAAP and tax purposes in Italy in 2021. In addition to the initial positive impact of the revaluation accrued in the 2021 financial statements and equal to the expected tax benefit for the first five-year business plan, in the 2022 financial statement the expected benefit for the additional year of the new five-year business plan period has been recognized positively impacting the tax rate. The on-going net benefit connected to the revaluation for the 2022 financial year is equal to € 7.2 million or to 4% in terms of tax rate.

Among the main drivers of the tax rate, IRAP, the Italian local business tax, negatively impacted the tax rate for 3.1% and the tax rate differential deriving from the nominal differential in the various jurisdiction in which the Group operates positively impacted the tax rate for 1.9%.

Note 1.13 – Basic and diluted earnings per share

Basic earnings per share are determined as the ratio of the Group's portion of net profits for the year to the weighted average number of ordinary shares outstanding during the year. The Group's treasury shares are included in this calculation for year 2022. Diluted earnings per share are determined taking the potential effect resulting from options allocated to beneficiaries of dilutive stock option plans into account in the calculation of the number of outstanding shares.

Basic earnings per share at 31 December 2022 amounted to € 0.43 and are calculated by dividing the net profit for the year attributable to the ordinary shareholders of the Parent Company, of € 140.3 million, by the number of total shares – ordinary and multiple voting – outstanding during the period, that is 329,827,838.

Diluted earnings per share amounted to € 0.42 and are calculated by dividing the net profit for the year attributable to the ordinary shareholders of the Parent Company, of € 140.3 million, by the number of total shares that is 330,959,027.

Basic and diluted earnings per share are calculated as shown in the table below.

		2022	2021
Net profit attributable to ordinary shareholders	€ million	140.3	136.5
Weighted average of ordinary shares outstanding	number	329,827,838	293,140,244
Basic earnings per share	€	0.43	0.47
Net profit attributable to ordinary shares outstanding net of dilution	€ million	140.3	136.5
Weighted average of ordinary shares outstanding	number	329,827,838	293,140,244
Potential shares to be issued for LTI plan	number	1,131,189	2,329,735
Weighted average of ordinary shares outstanding net of dilution	number	330,959,027	295,469,979
Diluted earnings per share	€	0.42	0.46

Atypical or unusual transactions

During the year 2022, Ariston Group did not undertake any atypical or unusual transactions.

6.2 Statement of financial position - Assets

Note 2.1 – Intangible assets

At 31 December 2022, "Intangible assets" amounted to € 442.6 million, increased by a net € 34.8 million compared to 31 December 2021, net of the amortisation expense for the period of € 24.2 million, in addition to other changes.

The amortisation expense for the period is recognised under the appropriate item in the income statement.

Changes during the period are shown in the table below:

Intangible assets *(in € million)*	Goodwill	Other int. assets			Total		
	Net value	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2021	**294.8**	**212.2**	**-99.2**	**113.0**	**507.0**	**-99.2**	**407.8**
Perimeter variation	13.4	13.6	-2.2	11.4	27.0	-2.2	24.9
Increases	0.0	21.0	0.0	21.0	21.0	0.0	21.0
Decreases	0.0	-0.7	0.0	-0.7	-0.7	0.0	-0.7
Remeasurements and Impairment	0.0	3.8	-3.8	0.0	3.8	-3.8	0.0
Amortisation	0.0	0.0	-24.2	-24.2	0.0	-24.2	-24.2
Exchange rate effect	8.2	3.7	-1.1	2.6	11.9	-1.1	10.8
Other	-3.8	4.1	2.7	6.8	0.3	2.7	3.0
Total changes	**17.9**	**45.5**	**-28.6**	**16.9**	**63.4**	**-28.6**	**34.8**
As at 31.12.2022	**312.7**	**257.7**	**-127.8**	**129.9**	**570.4**	**-127.8**	**442.6**

The net total amount of the goodwill was € 312.7 million, versus € 294.8 million at 2021 year-end, and shows a change largely due to:

- Goodwill arising from the business combination with Chromagen. The total is equal to € 13.4 million. Refer to 'Note 2.1.1 – Business combinations' for further details.
- Write-down of the "Other intangible assets" for € 3.8 million is related to the acquisition of Kesselheld GMBH, acquired by Ariston Group in 2020. The write-down is due to the ceasing of its current core activity of generating, mediating and approving orders and leads for heating installers and manufacturers. There is a plan to modify the core activity of the subsidiary. This amount was reclassified from "Goodwill" to "Other intangible assets".
- The changes in exchange rates, positive for € 8.2 million.

The total amount of goodwill recognised in the statement of financial position is not amortised but is subject at least annually to an impairment test (together with the other intangible and tangible assets) to assess its recoverability, as envisaged by IAS 36.
Therefore, the goodwill has been allocated to the cash generating units (CGU) from which future economic benefits related to the acquisition are expected.
Consequently, at 31 December 2022, the impairment test was carried out as described hereinafter.

Impairment test

In compliance with IAS 38 and IAS 36 at least on a yearly basis the Group verifies the recoverable value of intangible assets with indefinite life (included Trademarks), the values were tested at aggregate level based on the values allocated to the three cash-generating units (CGUs), identified as the lowest level at which the Goodwill is monitored by the Group and is considered appropriate, given the synergies and efficiencies obtained.
The reference CGUs are the three divisions within a unique segment unit of reporting: Thermal Comfort (TC), Burners (BUR), and Components (COM).

In line with previous years, the Group has considered the long-term business plan, that includes the latest available financials from 3 years plan 2023 - 2025 which are approved by Board of Directors, as base for the impairment test.

The net book values of the CGUs were determined by allocating, in addition to goodwill, the brand values, the fixed assets and working capital, allocated on the basis of the relevant sales achieved in each CGU.

The recoverable amounts of the CGUs were determined based on a 'value in use' methodology, discounting the estimated future cash flows generated by the use of the assets calculating the Terminal Value with the perpetuity growth method of discounting.

Procedure of intangibles assets impairment test

The CGUs are three and are denominated as Thermal Comfort, Burners and Components.
The Group, following a prudent approach, has used as discount rate the Weighted Average Cost of Capital (WACC). Such rate was calculated on the base of observable indicators and market parameters, including a specific risk connected to the business and the size of the Group (source: Damodaran and Duff & Phelps).
The calculated rate has been compared with a set of comparable peer competitors.
The rates used in the impairment test are reported in "Assumptions related to the impairment plan".
The Growth rate used to calculate the Terminal Value has been obtained by weighting the GDP growth rate at constant prices of the market in which the Group operates, to the revenues obtained in such markets.
Such GDP growth rate has been obtained from an international authoritative source (i.e. IMF, October 2022 release).
The Group performed additional stress tests to assess its capacity to resist any further market shock.
The stress tests consisted in a reduction of 5%, 10% and 15% in EBIDA and Capex over the entire test period and for all markets and brands. Each test was performed on a stand-alone basis.
These tests have been performed in addition to the sensitivity test required by the Standards.
Due to the steep increase in interest rates and inflation in 2022, the Group has decided to increase the WACC by an absolute maximum of one percent and to decrease the Growth Rate by an absolute maximum of one percent.

Assumptions related to the impairment plan

The main assumptions formulated for the preparation of the impairment test are the following:

- Net invested capital by CGU (in thousand euro): TC 1,049,988, BUR 50,249, COM 39,293
- Goodwill by CGU (in thousand euro): TC 294,688, BUR 12,486, COM 5,500
- Growth rate by CGU: TC 1.9%, BUR 1.1%, COM 1.1%
- WACC (weighted average cost of capital) by CGU: TC 10.8%, BUR 10.5%, COM 11.4%

Impairment test results

The Group calculated the headroom breakeven point through both the WACC percentage increase and the cash flow percentage decrease (in order to make it nil).
For the reporting period the results are, within the planned horizon:

- WACC percentage increase for each division more than 100%;
- Cash Flow percentage decrease: Thermal Comfort 34.0%, Burners 50.8%, Components 71.4%.

Based on the analyses conducted under the above assumptions considering the economic and financial impacts resulting from the actions carried out by the Group in order to be in compliance with climate changes regulations, and also a sensitivity analysis of WACC and the Growth rate beyond the specific planning timeframe. The Group can confirm the adequacy of the reported amounts.

The item "Other intangible assets" can be detailed as follows:

Other intangible assets *(in € million)*	31.12.2022	31.12.2021
Concessions, licenses, trademarks	49.2	43.8
Intangible assets in progress	23.7	19.3
Development costs	17.5	18.7
Software	17.5	16.5
Other	22.1	14.6
Total	**129.9**	**113.0**

Details of and changes in “Other intangible assets” are the following:

Other intangible assets *(in € million)*	Development costs			Software			Other Intangible Assets			Total		
	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2021	**68.0**	**-49.3**	**18.7**	**48.8**	**-32.3**	**16.5**	**95.4**	**-17.7**	**77.7**	**212.2**	**-99.2**	**113.0**
Perimeter variation	0.0	0.0	0.0	0.1	-0.1	0.0	13.5	-2.1	11.4	13.6	-2.2	11.4
Increases	2.8	0.0	2.8	0.6	0.0	0.6	17.7	0.0	17.7	21.0	0.0	21.0
Decreases	0.0	0.0	0.0	0.0	0.0	0.0	-0.7	0.0	-0.7	-0.7	0.0	-0.7
Amortisation	0.0	-7.3	-7.3	0.0	-8.2	-8.2	0.0	-8.7	-8.7	0.0	-24.2	-24.2
Exchange rate effect	0.2	-0.2	0.1	0.3	-0.2	0.1	3.1	-0.8	2.4	3.7	-1.1	2.6
Other	4.0	-0.9	3.1	5.6	2.9	8.5	-5.5	0.7	-4.8	4.1	2.7	6.8
Total changes	**7.1**	**-8.4**	**-1.3**	**6.6**	**-5.6**	**1.0**	**28.1**	**-10.9**	**17.2**	**41.8**	**-24.8**	**16.9**
As at 31.12.2022	**75.1**	**-57.6**	**17.5**	**55.4**	**-37.8**	**17.5**	**123.5**	**-28.6**	**95.0**	**254.0**	**-124.0**	**129.9**

Since the trademark has an indefinite useful life, it is subject to impairment test.

The other intangible assets have a definite useful life and are consequently amortised as necessary.

The change in “Other intangible assets” from the start of the period amounted to € 16.9 million and was primarily due to the perimeter variation related to Chromagen business combination, investments for the period and exchange rate effects which were not fully offset by € 24.2 million in amortisation for the period.

Development costs refer to products for which the return on investments occurs within a five-year period, on average. The capitalised costs for the period, attributable only to product development projects, amounted to € 7.5 million (€ 7.1 million in 2021) out of a total of € 17.5 million (€ 18.7 million in 2021) reported in the financial statements.

The Group evaluated the development costs related to products based on the criteria outlined in the Climate Delegated Act only for objective mitigation to climate change. As evidence of the commitment to promote a more efficient and renewable product portfolio, these investments have been capitalized. The Group impaired the depreciation charged to income statement against the products’ sales.

In order to determine the loss in value of capitalised development costs, in addition to the assessment of the economic return from each development projects, the Group arranged to allocate them to the Net capital employed of the related CGUs and assesses their recoverability together with the related tangible assets, determining their value in use with the discounted cash flow method.

Note 2.1.1 – Business combinations

As mentioned in paragraph ‘2 - Significant events of the year’, Ariston Group completed the acquisition of Chromagen group comprehensive of the total net assets and liabilities of the legal entities in Israel and Spain and the 51% of the Australian entity. The percentage is the same for both ownership and voting rights.

On the date that these Consolidated Financial Statements were approved, based on the process of recognising and restating the information necessary for allocating the purchase prices of the various transactions at the fair value of the respective net assets acquired, the Group performed the purchase price allocation with the support of independent external expert and it was finalized in a period not exceeding 12 months from the closing date of each transactions, in compliance with applicable accounting standards. The definitive purchase price allocation at the fair values of the assets acquired is shown in the table below. The values shown here are explained in the following notes to the financial statements, where they are highlighted as changes in the basis of consolidation for the purposes of the financial statements. All the values are expressed in Euro, converted using the exchange rate at the closing date, 5 January 2022.

Value at acquisition date	Book value at acquisition date		Fair value at 31 December 2022
ASSETS			
Non-current assets			
Goodwill	6.9		0.0
Other intangible assets	0.1		8.4
Lands and buildings	9.4		9.4
Plant and machinery	2.4		2.4
Other property, plant and equipment	1.8		1.8
Deferred tax assets	0.6		0.6
Financial assets	0.2		0.2
Other non-current assets	1.4		1.4
Total non-current assets	**22.8**		**24.2**
Current assets			
Inventories	23.7		22.6
Trade receivables	26.6		26.5
Tax receivables	0.2		0.2
Current financial assets	0.3		0.3
Other current assets	1.8		1.8
Cash and cash equivalents	1.1		1.1
Total current assets	**53.7**		**52.5**
TOTAL ASSETS	**76.5**		**76.8**
LIABILITIES			
Non-current liabilities			
Non-current provisions	0.7		0.7
Post-employment benefits	0.0		0.0
Non-current financing	15.0		15.0
Other non-current liabilities	0.4		0.4
Total non-current liabilities	**16.1**		**16.1**
Current liabilities			
Trade payables	21.1		21.1
Tax payables	1.3		1.3
Current provisions	0.6		0.5
Current financial liabilities	15.4		15.4
Current loans	2.9		2.9
Other current liabilities	4.2		4.2
Total current liabilities	**45.5**		**45.4**
Total Liabilities	**61.6**		**61.5**
NET EQUITY ACQUIRED	**14.9**		**15.2**
Group Equity	9.0		12.8
Minority Equity	5.9		2.4
TOTAL LIABILITIES AND EQUITY	**76.5**		**76.8**
Total cost, of which:		**a**	**25.8**
Price paid in cash, excluding ancillary costs			23.9
Present value of future payments			2.0
Net financial indebtedness acquired, of which:		**b**	**(31.7)**
Cash, cash equivalent and financial assets			1.6
Financial debt acquired			(33.3)
Enterprise Value (a-b)			**57.5**
Purchase price to be allocated			**25.8**
Price paid in cash, excluding ancillary costs			23.9
Present value of future payments			2.0
Allocation to:			
Net assets acquired			**12.8**
Goodwill generated by acquisition			**13.0**

With the acquisition, Ariston Group further strengthens its competitive position in the renewable energy segment, acquiring a player with a leading position in Israel and a solid footprint in Australia. The Group separately recognized Goodwill arising from the Chromagen acquisition (€ 13.0 million) given that it represents the future economic benefits considered arising from the business combination performed by the Group. Goodwill is not tax-deductible based on the relevant local regulations.
From the acquisition date of 5 January 2022, Chromagen contributed to Ariston Group's results in the amount of € 135.4 million to net revenue.

Note 2.2 – Property, plant and equipment

At 31 December 2022, "Property, plant and equipment" amounted to € 405.1 million, up by a net € 32.7 million compared to 31 December 2021.
The depreciation expense for the period is recognised under the appropriate item in the income statement and amounted to € 65.6 million.

Details of and changes in "Property, plant and equipment" are the following:

Property, plant and equipment	Land and buildings			Plant and machinery			Other property, plant and equipment			Total		
(in € million)	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2021	**309.9**	**-147.9**	**161.9**	**413.1**	**-308.6**	**104.5**	**347.9**	**-241.9**	**106.0**	**1,070.8**	**-698.4**	**372.4**
Perimeter variation	14.8	-5.5	9.4	11.9	-9.4	2.4	4.5	-2.7	1.8	31.2	-17.6	13.6
Increases	17.4	0.0	17.4	9.2	0.0	9.2	54.0	0.0	54.0	80.6	0.0	80.6
of which for right of use	*13.4*	*0.0*	*13.4*	*0.6*	*0.0*	*0.6*	*8.4*	*0.0*	*8.4*	*22.4*	*0.0*	*22.4*
Decreases	-0.3	0.0	-0.3	-0.5	0.0	-0.5	0.2	0.0	0.2	-0.5	0.0	-0.5
Depreciation	0.0	-21.4	-21.4	0.0	-17.3	-17.3	0.0	-26.9	-26.9	0.0	-65.6	-65.6
of which for right of use	*0.0*	*-14.2*	*-14.2*	*0.0*	*-0.3*	*-0.3*	*0.0*	*-10.9*	*-10.9*	*0.0*	*-25.4*	*-25.4*
Exchange rate effect	4.0	-1.1	2.9	2.6	-1.8	0.8	3.2	-1.3	1.9	9.9	-4.3	5.6
Other	-9.5	12.9	3.4	8.3	3.3	11.6	-38.7	22.8	-15.9	-39.8	39.0	-0.9
Total changes	**26.5**	**-15.1**	**11.3**	**31.6**	**-25.2**	**6.3**	**23.3**	**-8.2**	**15.1**	**81.4**	**-48.5**	**32.7**
As at 31.12.2022	**336.3**	**-163.0**	**173.3**	**444.6**	**-333.8**	**110.8**	**371.1**	**-250.1**	**121.1**	**1,152.2**	**-746.9**	**405.1**

The net increase was largely attributable to the capital expenditure for the period, totalling € 80.6 million, only partly offset by € 65.6 million depreciation.

In accordance with the standard IFRS 16, below are the carrying amounts of right-of-use assets and the relevant changes during the period:

Right of use assets	Land and buildings			Plant and machinery			Other property plant and equip.			Total		
(in € million)	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2021	**73.6**	**-33.1**	**40.5**	**1.9**	**-0.6**	**1.3**	**52.4**	**-34.2**	**18.2**	**127.9**	**-67.9**	**60.0**
Perimeter variation	10.7	-3.1	7.5	0.0	0.0	0.0	1.4	-0.5	0.9	12.1	-3.7	8.4
Increases	13.4	0.0	13.4	0.6	0.0	0.6	8.4	0.0	8.4	22.4	0.0	22.4
Decreases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	0.0	-14.2	-14.2	0.0	-0.3	-0.3	0.0	-10.9	-10.9	0.0	-25.4	-25.4
Exchange rate effect	0.5	-0.3	0.2	0.0	0.0	0.0	0.6	-0.3	0.3	1.2	-0.6	0.5
Other	-13.2	13.2	0.0	0.0	0.0	0.0	-20.6	25.5	4.9	-33.8	38.7	4.9
Total changes	**11.4**	**-4.5**	**6.9**	**0.6**	**-0.3**	**0.3**	**-10.2**	**13.8**	**3.7**	**1.8**	**9.0**	**10.8**
As at 31.12.2022	**85.0**	**-37.6**	**47.4**	**2.4**	**-0.9**	**1.6**	**42.2**	**-20.4**	**21.8**	**129.7**	**-58.9**	**70.8**

In order to recognise any impairment loss of tangible assets, in the presence of impairment indicators, the Group attributes these assets to the Net invested capital of the related CGUs and assesses their recoverability by determining their value in use with the discounted cash flow method.

The item "Other property, plant and equipment" amounted to € 121.1 million, up by € 15.1 million compared with 31 December 2021.

The breakdown is detailed below:

Other property, plant and equipment (in € million)	31.12.2022	31.12.2021
Industrial and commercial equipment	46.8	45.4
Assets under construction	44.5	31.0
Vehicles & transportation equipment	19.0	18.9
Furniture and office equipment	3.5	3.2
EDP machinery	3.3	3.3
Other	4.0	4.1
Total	**121.1**	**106.0**

Note 2.3 – Investments in associates & Joint ventures

Associates

At 31 December 2022, there were no investments in associates.

Joint ventures

From June 2021 Ariston Group holds 24.5% of the shares of the Dutch company Haas Heating B.V. which was acquired by the Group through ATAG Heating B.V.

The company is treated as a joint venture, thus valuing the participation with the equity method with the existence of a financial liability to be paid for acquiring the associate.

The acquisition agreement sets forth a mechanism for a subsequent adjustment of the purchase price (earn-out) based on a sales scheme at specific dates falling under IAS 28 *Investment in Associates and Joint Ventures*.
Therefore, a liability equal to the current value of the estimated obligation as at the date of its eventual future exercise, was recognised in the financial statements against the equity method.
By Shares Purchase Agreement defined the purchase price at € 0.8 million and a liability for € 1.5 million is related to the earn-out program.
For the remaining shares the agreement foresees a series of call options until December 2023.

Notes 2.4 – Deferred tax assets and liabilities

The deferred tax assets and liabilities show a net balance of € 39.4 million, with a € 12.2 million decrease in respect to 2021. The decrease in the net balance is driven by the increase of the deferred tax liabilities of € 10.9 million mainly due to Chromagen acquisition equal to € 2.8 million and to the recognition of deferred taxes related to the hedging and foreign exchange effects equal to € 8.1 million.

The components of net deferred tax assets as at 31 December 2022 are as follows:

Deferred tax assets (in € million)	2021	P&L	Equity	Translation Differences	2022
Trade & Patents	20.7	-0.2			20.5
R&D/Software	7.6				7.6
Tangible fixed assets	18.7	-1.7			17.0
Provision for warranties	6.6	4.1		-0.1	10.7
Provision for other risks and charges	14.0	-0.6		0.6	14.0
Employees benefits	8.7	-1.0	-1.0		6.8
Inventory write-off	1.8	1.5		-0.1	3.3
Losses	7.2	-3.3		0.2	4.1
Timing differences on costs deduction	4.9	-0.3		0.5	5.1
Other	12.1	-1.9	1.8	0.1	12.1
TOTAL	**102.4**	**-3.3**	**0.8**	**1.2**	**101.2**

Deferred tax liabilities (in € million)	2021	P&L	Equity	Translation Differences	2022
Provision for warranties	1.2				1.2
Provision for other risks and charges	3.5	0.2		-0.1	3.6
Employees benefits	1.1	0.4		0.1	1.6
Tangible and intangible fixed assets	16.7	-3.7		0.8	13.9
Exchange effects and hedging	2.0	0.4	8.1		10.5
Reversal of timing adjustments	4.1	-0.1		0.1	4.1
Distribution of earnings	16.2	0.6			16.8
Other	5.9	-2.8	6.8	0.2	10.1
TOTAL	**50.8**	**-5.0**	**14.9**	**1.1**	**61.8**

The deferred tax assets due to the revaluation is mainly included in the trademarks and patents, software and tangible assets. The decrease of the deferred tax assets related to the revaluation is equal to € 1.8 million.

The deferred tax assets on losses carry forward is equal to € 4.1 million. The decision to recognize deferred tax assets is made for each legal entity in the Group by critically assessing whether the conditions exist for the future recoverability of such assets on the basis of actual results, as well as updated plans.

Starting from 2021, a deferred tax liability on the undistributed earnings in Ariston subsidiaries is recorded equal to the expected tax burden on the remittance of earnings from those jurisdictions The amount of the deferred tax liabilities on undistributed earnings recorded in 2022 is equal to € 16.8 million.

Ariston recognizes in its consolidated statement of financial position within Deferred tax assets, the amount of deferred tax assets less the deferred tax liabilities of the individual consolidated legal entities, where these may be offset.

Note 2.5 – Financial assets

"Financial assets" amounted to € 6.1 million at 31 December 2022, up by € 0.9 million compared to December 2021.
This item mainly consists of the value of "Other investments" held for the medium/long-term, measured at fair value, since they are largely classified as "Financial instruments at fair value through profit or loss (FVTPL)".
The increase during the period is mainly related to the investment in ThermoVault, held by Ariston Holding, for 12.22% of the entity's shares equal to € 1.1 million. The operation took place in November 2022. ThermoVault is a Belgian energy start-up that helps electricity consumers and utilities save money while allowing for the integration of more renewables. The company has developed an all-in software and hardware solution for energy services that retrofits residential customers' existing electric water and space heaters into energy-saving and lucrative grid-responsive energy storage devices.
The other movements in the balance are due to the remeasurement, in accordance with IFRS 9, of the equity investment in an "Investment company in risk capital (SICAR) provision" specialising in interventions in sectors where the Group operates, by the parent company Ariston Holding N.V.

Note 2.6 – Other non-current assets

"Other non-current assets" includes primarily the security deposits due beyond the year and other assets with a financial impact spreading beyond one year.
At 31 December 2022, the item amounted to € 7.0 million, up compared with € 6.4 million in 2021.

Note 2.7 – Non-current tax receivables

"Non-current tax receivables" amounted to € 2.1 million as 31 December 2022, slightly up on € 0.9 million in the same period of 2021. The item includes receivables from tax authorities payable to the Group.

Note 2.8 – Inventories

Following is the composition of "Inventories" at 31 December 2022 and at 31 December 2021, net of the obsolete stock provision.

Inventories *(in € million)*	**31.12.2022**	**31.12.2021**
Raw materials	158.1	125.6
Work in progress and semi-finished goods	20.4	13.4
Finished goods and goods for resale	298.2	243.0
Total	**476.8**	**382.0**

Gross value of inventories, at 31 December 2022, amounted to € 525.6 million (€ 422.4 million at 31 December 2021), whereas the provision amounted to € 48.8 million (€ 40.4 million at 31 December 2021).

Inventories totalled € 476.8 million at 31 December 2022, up by € 94.8 million on 31 December 2021. This change is essentially attributable to several factors, as summarised below:

- Organic increases of € 72.2 million mainly driven by the finished goods and goods for resale stocking necessary to maintain sound product availability to customers, in line with the Group's strategic guidelines, and a net increase in raw materials weighted average price;
- Perimeter variation equal to € 18.4 million;
- Positive exchange rate effect of € 4.2 million.

Inventories are recognised at the lesser value between purchase and production cost, according to the weighted average cost method and their net realisable value which includes cost necessary to sell inventories and based on that the Group did not have a material impact.

The provision set up for obsolete or slow-moving stock is substantially in line with previous year in terms of incidence of the percentage on Inventories gross amount meanwhile showing an absolute value equal to € 8.4 million.
The obsolescence risk is measured taking into account stock rotation, calculated monthly as the ratio of inventories to consumption over the last twelve months for raw materials (forty-eight months for spare parts with life cycle defined as "inactive"), and the product life cycle. In the obsolescence risk, the Group has considered for materials and products in stock the technological obsolescence which can arise from climate change. On the basis of the parameters mentioned above, impairment percentages are applied which increase in proportion to the estimated risk.

The change in the obsolete stock provision was as follows:

Obsolete stock provision *(in € million)*	Raw materials	Work in progress and semi-finished goods	Finished goods and goods for resale	Total
As at 31.12.2021	**10.1**	**1.8**	**28.5**	**40.4**
Perimeter variation	0.1	0.0	1.1	1.3
Increases	10.6	2.3	17.3	30.1
Decreases	-2.2	-0.5	-3.0	-5.7
Release	-6.7	-1.7	-9.2	-17.5
Exchange rate effect	0.2	0.0	0.1	0.3
Other	-0.7	0.0	0.7	0.0
Total changes	**1.3**	**0.1**	**7.1**	**8.4**
As at 31.12.2022	**11.4**	**1.9**	**35.6**	**48.8**

The recognition of inventories according to the weighted average cost method does not show any significant differences compared with a valuation at current costs.

Note 2.9 – Trade receivables

Trade receivables amounted to € 308.4 million, net of a bad debt provision of € 17.0 million.
Compared with 31 December 2021, the net balance shows a € 60.2 million increase in absolute values. This increase is attributable to the strong growth in turnover, specifically in the markets with higher days outstanding sales, partially compensated by the strong collection performance and reduction in payment terms.
The percentage of trade receivables on the turnover of the last 12 months was equal to 13.0% compared with 12.5% recorded at 31 December 2021.

The bad debt provision of € 17.0 million shows a net decrease by € 2.0 million compared with 31 December 2021. The decrease is partly attributable to the utilization for ending with a loss of non-performing and non-recoverable items and partly attributable to the reduction of credit risk evaluation. For Trade Receivables, the Group applies two approaches in the calculation of expected losses. The Group applies a matrix-based model. The Policy defines a percentage of statistical devaluation based on the division of trade receivables into clusters of ageing and country risk. For companies with a credit insurance contract, percentages applied on the category insured customers is reduced by approximately half of it. In the same perimeter, for a percentage of 31% in terms of newly recalculated bad debt fund, the Group is applying a new impairment criteria based on the probability of default (PD) obtained from external sources and historical loss rates.

A specific fund is provided for legal and specific devaluation by single clients' situation and their economic environment.

At 31 December 2022, the provision was deemed to be appropriate for the estimated losses from unsecured or disputed receivables.

Following are the changes in the bad debt provision:

Bad debt provision *(in € million)*	Short-term	Medium/ long-term	Total
As at 31.12.2021	**13.0**	**6.0**	**19.0**
Perimeter variation	1.4	0.0	1.4
Increases	1.2	0.3	1.6
Decreases	-0.9	-1.7	-2.6
Release	-2.0	-0.3	-2.2
Exchange rate effect	0.0	0.0	0.0
Other	-0.5	0.4	-0.1
Total changes	**-0.7**	**-1.3**	**-1.9**
As at 31.12.2022	**12.3**	**4.7**	**17.0**

The item "Other" includes primarily the reclassifications made for the period in order to ensure the correct recognition of receivables subject to special valuation, such as those in legal proceedings or in litigation.

Please refer to paragraph 'Credit Risk' for further details on ageing and the related Bad Debt Provision.

Note 2.10 – Tax receivables

The item "Tax receivables" includes primarily the amounts due to the companies of the Group from the taxation authorities in several countries where the Group operates. At 31 December 2022, the item amounted to € 28.4 million versus € 29.8 million in 2021, mainly due to:

Tax receivables *(in € million)*	31.12.2022	31.12.2021
Tax receivables for taxes paid in excess	16.7	13.3
Tax receivables from Parent company	7.1	13.8
Other short-term tax receivables	4.6	2.7
Total	28.4	29.8

Ariston Holding N.V. is incorporated in the Netherlands but is a tax resident of Italy and is controlled by Merloni Holding S.p.A.. Ariston Holding N.V. and its Italian subsidiaries have adopted the national tax consolidation scheme. At 31 December 2022, the individual Italian companies' income tax receivables and payables were recorded from or to, respectively, Merloni Holding S.p.A.. These amounts are included in the "Tax receivables" from the controlling shareholder for tax consolidation. The decrease amounts to € 6.7 million mainly derives from lower tax losses realized in Italy in 2022.

Note 2.11 – Current financial assets

As at 31 December 2022, the item "Current financial assets" amounted to € 47.1 million, up from the € 10.8 million reported at the end of 2021.

The item includes:

- "Short-term financial receivables", including primarily security deposits, which amounted to € 2.2 million as at 31 December 2022 (€ 5.5 million as at 31 December 2021);
- the positive impact of "Financial derivative assets" for € 34.8 million (€ 0.8 million as at 31 December 2021) is generated by fair value measurement on derivative financial instruments. The fair value of financial derivatives included hedges on commodities for € 0.7 million, on interest rates for € 32.6 million and on foreign exchange for € 1.5 million. The amount of derivatives closed but not yet collected amounted to € 2.0 million (€ 1.0 million as at 31 December 2021);
- the short-term bank notes or similar tradable instruments held by subsidiaries in China, issued and backed up by leading domestic banks and used in commercial transactions with customers and suppliers in order to settle supply agreements.

Note 2.12 – Other current assets

"Other current assets" amounted to € 50.8 million versus € 56.4 million at 31 December 2021. The main items are:

Other current assets *(in € million)*	31.12.2022	31.12.2021
Indirect tax receivables	25.0	29.2
Prepaid expenses	8.8	7.1
Advances to suppliers	8.2	6.5
Credits from government	3.8	3.5
Receivables from employees	1.2	0.6
State Green Programmes	1.2	8.3
Other receivables	2.5	1.1
Total	**50.8**	**56.4**

During the period, the "Other current assets" did not record significant variations compared to the previous period ending at 31 December 2021.

The significant decrease in the "State Green Programmes" equal to € 7.1 million is due to the receivables collection which occurred in December 2022, while at 31 December 2021, these receivables had been transferred to banks only partially. The residual balance as at 31 December 2022 is mainly related to the subsidiary Ingrado S.r.l., an Italian entity, that was unable to collect the receivables in the second part of 2022 due to contractual constraints.

Note 2.13 – Cash and cash equivalents

"Cash and cash equivalents", amounting to € 999.3 million as at the end of December 2022, are represented almost entirely by cash in bank, as shown in the following table:

Cash and cash equivalents *(in € million)*	31.12.2022	31.12.2021
Bank and postal deposits	961.2	653.3
Short-term Investments	38.0	30.9
Cash on hand	0.2	5.5
Total	**999.3**	**689.7**

The amount shown in the line "Bank and postal deposits" primarily consists of credit balances on current accounts and compared to 31 December 2021, it increased by € 307.9 million mainly due to new medium/long-term syndicated line entered in 2022. "Short-term Investments" increased by € 7.1 million compared to 31 December 2021.
The amount of cash on hand with a pre-determined use is not significant.

The reconciliation among Cash & Cash Equivalent and Consolidated statement of cash flows is provided below:

Cash & Cash Equivalent reconciliation *(in € million)*	31.12.2022	31.12.2021
Cash and cash equivalents (as included in the Consolidated statement of financial position)	999.3	689.7
Short-term bank notes or similar tradable instruments and others	3.3	3.5
Bank overdrafts	-7.4	-21.8
Notes payable	-17.6	-15.8
Cash and cash equivalents (as included in the Consolidated statement of cash flows)	977.5	655.5

Note 2.14 – Assets held for sale

At 31 December 2022, the item "Assets held for sale" amounted to € 1.3 million, down by € 1.0 million compared with 31 December 2021. The item includes the assets held for sale by the Romanian and the Chinese subsidiaries, recognised, as stated in IFRS 5, at the lower of the net book value and the fair value (net of sale costs).

During the year, 'Assets held for sale' registered a decrease related to the Follina (Treviso, Italy) plant sold in September 2022 and an increase for a reclassification from 'Property, Plant and Equipment' for the fixed assets held for sale by a Chinese subsidiary.

6.3 Statement of financial position – Liabilities and equity

Note 3.1 – Equity

At 31 December 2022, the fully paid up share capital of Ariston Holding N.V. was € 46.1 million, comprising 106,183,532 ordinary shares. The capital structure as at 31 December 2022 for ordinary and special voting shares is reported below.

Shareholders	Ordinary Shares (1)	% of Ordinary Shares	Special Voting Shares A (2)	Ordinary Shares and Special Voting Shares A	% Ordinary Shares and Special Voting Shares A
Merloni Holding S.p.A.	19,426,000	18.29%	198,000,000	217,426,000	65.65%
Amaranta S.r.l.	2,649,000	2.49%	27,000,000	29,649,000	8.95%
Treasury shares	1,500,000	1.41%		1,500,000	0.45%
Other shareholders	82,608,532	77.80%		82,608,532	24.94%
Total	**106,183,532**	**100.00%**	**225,000,000**	**331,183,532**	**100.00%**

(1) Ordinary shares are listed, freely transferable and each of them confers the right to cast one vote.

(2) Special Voting Shares confer economic rights, are not listed and are not transferable.

The total consolidated equity at 31 December 2022 amounted to € 1,012.2 million, up compared with € 878.1 million at 31 December 2021.

The overall change is the result of the sum of positive and negative items, such as:

- the increase in Group net profit for the period, amounting to € 140.3 million;
- in August 2022, Ariston Group started a Treasury shares buyback program to serve the Group's LTI plans with a number of Ariston shares to be acquired equal to 1,500,000. The Treasury shares buyback program ended on 3 November 2022 and the total amount of Treasury shares at 31 December 2022 was equal to € 12.5 million;
- the increase of "Non-controlling interest and reserves" related to the perimeter variation for the acquisition of Chromagen Australia for 51%;
- the financial statements conversion reserve into the Group currency, used to recognise the differences in exchange rates deriving from the translation of the financial statements of foreign subsidiaries, not included in the Euro area, had a positive impact of € 11.6 million;
- the decrease in the "Retained Earnings and other reserves" for the dividends paid in May 2022 for a total amount equal to € 46.4 million;
- the positive change due to the remeasurement of the pension provisions, for € 7.9 million, mainly following changes in the financial and demographic assumptions, recognised in equity in compliance with the revised IAS 19;
- the increase in the "Reserve for gains/losses" for a total amount equal to € 23.7 million due to the positive MTM in cash flow hedge accounting;
- Ariston Group has, from 2021, equity incentive plans under which a combination of performance share units ("PSUs"), which each represent the right to receive one Ariston common share, have been awarded to the Executive Directors and Non-Executive Directors. The "Stock-based incentive plans reserve", during the year, increases for € 6.6 million for the expense of LTI plans for the year 2022 and decrease for € 19.6 million following the capital increases executed in 2022 for LTI plans for the years 2016-2019. As at 31 December 2022 the reserve was equal to € 11.4 million (€ 24.4 million as at 31 December 2021) and it is related to long-term incentive plans of 2020-2022:
  - 2020: € 7.1 million
  - 2021: € 3.3 million
  - 2022: € 1.0 million

  For further detail, refer to 'Note 3.1.1 - Stock-based incentive plans payments'.

Dividends paid

The table below shows the dividends approved and paid during the year and in the previous years:

DIVIDENDS to the parents (in thousand €)	2022	2021	2020
Dividends paid during the period	46,366	48,268	128,621(*)

(*) including € 28.4 million in regular dividends authorised upon the approval of the 2019 financial statements and € 100.2 million in special dividends.

As at the reporting date, there were no dividends approved by the Annual General Meeting yet to be paid.

Note 3.1.1 – Stock-based incentive plans payments

2022 remuneration of the Executive Directors

The remuneration of the executive directors is in accordance with the remuneration policy. There are no loans, advances or guarantees provided by the Company or any undertaking belonging to the same group of the Company to or on behalf of an executive director.

The following table summarise the remuneration received by the executive directors for the years ended 31 December 2022 and 2021:

Director, Position, Year		Fixed remuneration			Variable remuneration		Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
		Base salary	Fees	Benefits and Perquisites	Short-term incentive	Long-term incentive*				
Paolo Merloni	2022	1,000	80	38	666	1,696 (1)	-	43	3,523	33% Fixed 67% Variable
Executive Chairman	2021	900	70	33	720	1,114(2)	-	42	2,879	36% Fixed 64% Variable
Laurent Jacquemin	2022	900	50	79	555	1,017 (3)	-	-	2,601	40% Fixed 60% Variable
Chief Executive Officer	2021	750	48	82	480	668(4)	100(5)	-	2,128	41% Fixed 59% Variable

Note:

- *Base salary represents for the executive chairman the base salary and the executive director fee. The compensation and talent development committee on 17 February 2022 unanimously resolved, based on the results of the benchmarking carried out on the executive directors' compensation, to align the base salary to the market and to rebalance the pay mix. Therefore, the following proposal for the executive directors' compensation for 2022 was approved to be presented to the Board: executive chairman base salary at € 1million with a short-term incentive of € 600k and CEO base salary at € 900k and short-term incentive at € 500k. The Board of Directors of 2 March 2022 unanimously approved the proposal.*
- *Fees represents the Board fee and the committee membership fees.*
- *The short-term incentive represents the pay-out for the year of performance*
  The long-term incentive value is calculated as follows: (i) for 2022, the LTI is valued referring to the share price of 30 December 2022 at close of trade (€ 9.62) (and it refers to the vesting of the 2019 converted LTI phantom stock option plan) and (ii) for 2021, LTI is valued referring to the share price of 30 December 2021 at close of trade (€ 10.14) (and it refers to the vesting of the 2018 converted LTI phantom stock option plan).

(1) LTI accrued value based on IFRS2 expenses is € 1,807 thousand
(2) LTI accrued value based on IFRS2 expenses is € 1,125 thousand
(3) LTI accrued value based on IFRS2 expenses is € 1,084 thousand
(4) LTI accrued value based on IFRS2 expenses is € 678 thousand
(5) Extraordinary item refers to a special award, approved by the Board on 2 March 2022 at the recommendation of the compensation and talent development committee, in accordance with their authority to temporarily deviate from the remuneration policy in case of exceptional circumstances. The Company proposed this award to recognise the extraordinary contribution and involvement of the CEO in the very peculiar circumstances of the preparation of a listing, successfully leading the Company through the challenges of an IPO.

Long-term incentive

Until Admission, the executive directors participated in the long-term incentive plan providing for phantom stock. Upon Admission this plan was terminated and the outstanding phantom stock options were converted (a) at the option of the beneficiaries, into ordinary shares at the offer price of the Company's initial public offering or cash (in relation to vested phantom stock options) and (b) into restricted share units (in relation to unvested phantom stock options), with a vesting period of three years from the date of the original grant (phantom stock options granted in 2019 vest in 2022, phantom stock options granted in 2020 vest in 2023). In addition, a new long-term incentive plan has been approved by the general meeting providing for awards in the form of performance share units for the 2021 LTI.

The executive directors have chosen to convert the vested phantom stock options entirely into ordinary shares.

The table below provides an overview of the conversion result of the phantom stock options granted in 2016, 2017 and 2018 that vested before Admission. Settlement of the conversion of these phantom stock options took place in the first half of 2022.

Executive director	Number of ordinary shares
Paolo Merloni	483,584
Laurent Jacquemin	347,817

The table below provides an overview of the conversion result for the phantom stock options granted in 2019 and 2020 that were unvested at Admission and converted into restricted share units at the offer price of the Company's initial public offering and the 2021 and 2022 grant of performance share units.

Director, position	Main conditions of performance share plans				Information regarding 2022					
					Opening balance	During the year		Closing balance		
	Plan	Performance period	Vesting start date	Vesting end date	Performance shares on 1 January 2022[(1)]	Performance shares awarded	Performance shares vested	Shares vested	Share awarded and unvested	Unexercised share
Paolo Merloni *Executive Chairman*	2019	2019-2021	31.03.2019	31.03.2022	176,268	0,000	176,268	176,268	0	176,268
	2020	2020-2022	31.03.2020	31.03.2023	156,737		0	0	156,737	0
	2021	2021-2023	31.03.2021	31.03.2024	112,000		0	0	112,000	0
	2022	2022-2024	28.04.2022	31.03.2025	0	104,948[(2)]	0	0	104,948	0
Laurent Jacquemin *Chief Executive Officer*	2019	2019-2021	31.03.2019	31.03.2022	105,761	0	105,761	105,761	0	105,761
	2020	2020-2022	31.03.2020	31.03.2023	156,737		0	0	156,737	0
	2021	2021-2023	31.03.2021	31.03.2024	112,000		0	0	112,000	0
	2022	2022-2024	28.04.2022	31.03.2025	0	94,453[(2)]	0	0	94,453	0

(1) Unvested share units.

(2) The number of PSUs to be granted to the executive directors is determined dividing the individual grant (as resolved by the Board of Directors on 2 March 2022 on the proposal of the compensation and talent development committee and approved by general meeting of 28 April 2022) by the average closing price of the Company’s shares on the 30 days before the grant. Specifically, for 2022 the average closing price on 30 days before the grant was € 9,5285.

Change of remuneration of executive directors and Company performance

The requirement in the Dutch Civil Code is to disclose this information over five financial years. However, as the Company was incorporated in its current structure in November 2021, meaningful total remuneration information is only available and relevant from 2021 onwards.

The following table shows a comparison of the fixed remuneration of the executive directors over the last five years who served as executive director in 2022.

Annual change	2018	2019	2020	2021	2022
Executive director's fixed remuneration *(in € thousand)*					
Paolo Merloni *Executive Chairman*	992	1,005	995	1,003	1,118
Laurent Jacquemin *Chief Executive Officer*	710	718	782	880	1,029
Executive director's total remuneration *(in € thousand)*					
Paolo Merloni *Executive Chairman*	N.A.	N.A.	N.A.	2,879	3,523
Laurent Jacquemin *Chief Executive Officer*	N.A.	N.A.	N.A.	2,128	2,601
Company performance *(in € million)*					
EBIT	127	134	149	171	194
EBITDA	195	209	227	247	283
EBIT Adjusted	134	149	164	203	223
EBITDA Adjusted	202	223	239	277	305
Average remuneration on a full-time equivalent basis of employees(i)					
Employees of the Group	N.A.	N.A	N.A	54	59
Internal pay ratio Chief Executive Officer(i)					
Chief Executive Officer vs employees of the Group	N.A	N.A	N.A	40	44

(i) The population composition changes among the years in terms of FTE, mix and countries.

Internal pay ratio Chief Executive Officer based on fixed remuneration

In accordance with Dutch law and the Dutch corporate governance code, the internal pay ratio is an important factor for determining the remuneration policy. On 20 December 2022 the DCGC published an updated version that will come into force as of 1 January 2023. As this version includes a methodology for calculating the pay ratio, Ariston has elected to follow this methodology from 2022. The 2022 pay ratio of the Chief Executive Officer versus the employees of the Group is.

2022 remuneration of the Non-Executive Directors

The remuneration of the non-executive directors is in accordance with the remuneration policy. There are no loans, advances or guarantees provided by the Company or any undertaking belonging to the same group of the Company to the non-executive directors.

The following table summarize the remuneration received by the non-executive directors for the years ended 31 December 2022 and 2021.

Non-executive director *(in € thousand)*	Fixed remuneration 2022	Supplementary committee remuneration 2022	Total remunera-tion 2022	Total remunera-tion 2021
Francesco Merloni	50	0	50	48
Marinella Soldi	50	20	70	67
Sabrina Baggioni	42	17	58(1)	40
Roberto Guidetti	50	40	90	71
Maria Francesca Merloni	50	0	50	48
Lorenzo Pozza	50	20	70	38(2)
Ignazio Rocco di Torrepadula	50	10	60	38(2)
Andrea Silvestri	50	10	60	33(2)
Paolo Tanoni	50	0	50	50
Enrico Vita	50	10	60	52

(1) Until 3 November 2022 (resignation).
(2) As from 15 June 2021.

The following table shows a comparison of the fixed remuneration of non-executive directors over the last five years who served as non-executive directors in 2022:

Non-executive director *(in € thousand)*	2018	2019	2020	2021	2022
Francesco Merloni	50	50	50	48	50
Marinella Soldi	77	74	74	67	70
Sabrina Baggioni	0	0	0	40	58(1)
Roberto Guidetti	62	59	59	71	90
Maria Francesca Merloni	50	50	50	48	50
Lorenzo Pozza	0	0	0	38(2)	70
Ignazio Rocco di Torrepadula	0	0	0	38(2)	60
Andrea Silvestri	0	0	0	33(2)	60
Paolo Tanoni	50	50	50	50	50
Enrico Vita	44,3	56	53	52	60

(1) until 3 November 2022 (resignation).

Notes 3.2 – Deferred tax liabilities

Comments on "Deferred tax liabilities" are included in the note 2.4 - "Deferred tax assets and liabilities", to which reference should be made.

Note 3.3 – Non-current provisions

Current and non-current "Provisions for risks and charges" totalled € 95.8 million, up by € 5.4 million compared with the previous year.
The following table shows the composition of this item and the changes occurring during the year:

Non-current and current provisions (*in € million*)	Agent supplementary indemnity provision	Product warranty provision	First installation provisions	Other provisions	Total
As at 31.12.2021	**2.9**	**57.0**	**7.0**	**23.5**	**90.4**
of which:					
Current	**0.0**	**15.9**	**2.3**	**15.3**	**33.5**
Non-current	**2.9**	**41.1**	**4.7**	**8.1**	**56.9**
Perimeter variation	0.0	1.5	0.0	0.0	**1.5**
Increases	0.2	18.9	3.5	4.1	**26.6**
Decreases	-0.2	-5.3	-2.9	-4.2	**-12.6**
Releases	-0.1	-7.8	0.0	-4.0	**-11.9**
Other	0.1	0.9	-0.1	1.1	**1.9**
Total changes	**-0.1**	**8.1**	**0.4**	**-3.0**	**5.4**
As at 31.12.2022	**2.8**	**65.1**	**7.5**	**20.4**	**95.8**
of which:					
Current	**0.0**	**21.2**	**2.4**	**12.7**	**36.2**
Non-current	**2.8**	**43.9**	**5.1**	**7.8**	**59.6**

Details of and changes in "other provisions" are the following:

Other provisions (*in € million*)	Legal disputes provision	Restructuring provision	Other risk provision	Total
As at 31.12.2021	**6.9**	**2.0**	**14.6**	**23.5**
of which:				
Current	**5.7**	**1.4**	**8.3**	**15.3**
Non-current	**1.3**	**0.6**	**6.3**	**8.1**
Increases	0.3	1.5	2.3	4.1
Decreases	-1.0	-1.0	-2.2	-4.2
Releases	-0.7	-0.9	-2.4	-4.0
Other	0.1	0.2	0.8	1.1
Total changes	**-1.4**	**-0.1**	**-1.6**	**-3.0**
As at 31.12.2022	**5.5**	**1.9**	**13.0**	**20.4**
of which:				
Current	**5.1**	**1.9**	**5.7**	**12.7**
Non-current	**0.5**	**0.0**	**7.3**	**7.8**

"Current provisions for risks and charges" amounted to € 36.2 million versus € 33.5 million at 31 December 2021, whereas "Non-current provisions for risks and charges" amounted to € 59.6 million versus € 56.9 million in the previous year.

More specifically, the "Agent supplementary indemnity provision" recognises the accruals for covering indemnities that may be due to agents on their employment termination. The provision shows a limited decrease of € 0.1 million compared to the previous year.

The "Product warranty provision", which represents estimated costs to be borne for technical support of products sold under warranty, is appropriate in order to hedge the related risk.
The method used to determine this provision is based on historical/statistical data concerning warranty work performed, costs incurred for such work and products sold on the market which are still under warranty at the evaluation date.
The provision had a net € 8.1 million increase mainly due to increases and decreases recognised in the period related to normal management activities of the warranty on manufactured and sold products.

The "First installation provision" represents the estimated expense that the Group must bear for interventions of this type on products. This has not substantially changed compared with December 2021.

The item "Other provisions" includes estimated future charges for corporate restructuring, pending legal disputes and other risks that it was deemed necessary to cover with appropriate provisions which were estimated based on the available information.
This has not substantially changed compared with December 2021.

The item “Other” includes the effect of exchange rates for the period and reclassifications.

Note 3.4 – Post-employment benefits

The Group has two defined benefit plans for employees, the first one is the employee severance indemnity, due by Italian companies to their employees in compliance with laws in force until 31 December 2015, and other current pension plans mostly in Switzerland and Germany.

Until 31 December 2006, in Italy, the employee severance indemnity provision (*Trattamento di fine rapporto*, TFR) was considered a defined benefit plan. The regulation of this provision was amended by Law no. 296 of 27 December 2006 (“2007 Financial Law”) and subsequent Decrees and Regulations issued in the first few months of 2007. Given these amendments and in particular in reference to companies with at least 50 employees, this is now considered a defined benefit plan only for the portions of benefits accrued before 1 January 2007 (and not yet paid as at the end of the reporting period, while subsequent to this date, it is comparable to a defined contribution plan).

IAS 19 expressly envisages the adoption of the “projected unit credit method”, which is based on quantifying the actuarial liability by considering only the service accrued at the evaluation date, in accordance with the actuarial approach of so-called “accrued benefits”. In particular, in the projected unit credit method, this characteristic is integrated with the forecast of the salary trend up to the time that the TFR will probably be paid; the consequent liability is then re-proportioned on the basis of the ratio between the years worked up to the assessment period and the total service at the probable date of payment of the TFR (should the right be already completely accrued at the evaluation date, there will be then no re-proportioning of the liability).

Since as from 1 January 2007, for employees belonging to companies with at least 50 employees, no amount is any longer internally provisioned, but the amounts of TFR accrued subsequent to that period are assigned to the Complementary Pension Fund or to the INPS (Italian National Social Security Institute) Treasury Fund and the company remains solely responsible for the duty of re-evaluating the amount accrued at 31 December 2006, the actuarial calculation must estimate, in correspondence to every possible event which leads to the payment of TFR to the worker, the associated probability, the consequent amount paid and the years of service corresponding to the payment date. The latter, in particular, is a random variable that can take on any value between initial service and the maximum service that the worker can perform in correspondence with retirement, with probabilities that can be deduced from the economic and demographic technical bases used in the evaluation.

For the related actuarial assessments, the demographic and economic-financial assumptions set out in the attached table have been adopted.

The pension funds of the German companies are regulated on a pension system based on three pillars.

The “first pillar” (state and obligatory RV-Beitrag) is a defined contribution pension plan, established by the social pension insurance, based on the pay-as-you-go principle and related to the income limit. It covers employees in the public and private sector and some categories of self-employed workers and is mainly financed through social security contributions paid by workers and employers in equal measure and by taxes.

The “second pillar” (BAV: *Betriebliche Altersvorsorge*) is represented by voluntary supplementary pensions on a pay-as-you-go basis, and thus with defined benefits falling on both the worker and the company.

The “third pillar” is a voluntary, private savings plan in funds or insurance companies which is encouraged through tax incentives and subsidies.

There are different types of BAV pension plans that qualify as defined benefit plans (mainly: BVO 74/79, based on employees’ pension commitments; BVO 79, based on one-off payments; BASIS Versorgung, based on direct insurance; and ZUSATZ Versorgung, based on employee pension commitments), and the measurement is split between pensioners, early leavers, and active employees.

Pension plans have developed differently in the Group’s companies in Germany and there are currently two different pension plans considered as defined benefits plans:

- the so-called BVO 74/79 which covers all the people who were working on 1 March 1979 and up to 31 December 1994;
- the so-called “1995 Pension” which was applied for all employees, including those who benefited from the BVO 74/79, as from 1 January 1995 to date.

For all employees who started to work in the period March 1979-December 1994 a different defined contribution pension plan (OLS 79) was applied until December 1994.
For the related actuarial assessments, the demographic and economic-financial assumptions set out in the attached table have been adopted.

The pension funds of the Swiss companies are regulated on the basis on three pillars:

- Public Pillar (AHV/IV): defined benefits, based on the pay-as-you-go principle, regulated at federal level and managed by a public fund (AVS-Fund), obligatory and aimed at covering basic needs;
- Occupational Pillar (BVG): based on the funded principle, regulated at federal level, quasi-obligatory, with the collective financing principle, but with private cover and management risk;
- Private Savings: at the discretion of each resident, in various forms (cash, securities, real estate, personal pension plans, life insurance).

The pension funds set up pursuant to the second pillar and which affect the Group more directly must be legally independent from the sponsor company, segregated in terms of equity and independently managed in the legal form of cooperative foundations or associations registered with a regulatory authority. The administrative bodies of such associations consist of an equal number of representatives from the sponsor companies and employees with equal voting rights, are supported by a management consultant recognised by the law and by qualified actuarial experts, and are subject to supervision by the regional authorities.

The funds are financed through the contribution of the employee's sponsor company. The sponsor's contribution must be at least 50% (obligatory minimum by law) and the contributions vary from pension fund to pension fund.

The contributions and the return on the market of the invested capital contribute to defining the benefits. A guarantee is envisaged for a minimum nominal return and a minimum interest rate on the amount paid in. Should it be underfunded, which is not the case of the Group's pension funds in Switzerland, it is the responsibility of the sponsor company which is obligated by law to recapitalise within a reasonable timeframe, not exceeding 10 years.
In the current situation of the Group's pension funds in Switzerland, the investment risks are met by fluctuation reserves (i.e. by assets which exceed the actuarial liabilities) and the level of actuarial cover is over 100%; therefore, there is currently no need for recapitalisation measures.
For the related actuarial assessments, the demographic and economic-financial assumptions set out in the attached table have been adopted.

In relation to the recognition of the Group's pension funds:

- current employment-related costs have been recognised in the income statement, under Personnel costs;
- financial charges on the assumed obligations and the financial gains expected on the plan assets are recognised under financial income and expense;
- actuarial gains and losses are recognised in a specific valuation reserve under equity.

The plan assets do not include the Group's Treasury shares, nor property occupied or used by the Group. The expected return on plan assets is defined on the basis of the current market conditions.

At December 2022, the remeasurement of net liabilities emerging in the period amounted to a positive € 12.1 million against the positive € 0.9 million of December 2021. This trend was affected mainly by the change in the financial and demographic assumptions used, especially at the Swiss subsidiaries, compensate by the Asset ceiling booked in Swiss and Germany companies as shown in the description below. Finally, a Swiss subsidiary recognised a surplus on the pension fund under "other non-current assets" totalling € 0.6 million.
This was mainly the result of the trend in rates and the returns on investments.
The item "Foreign exchange gains (losses)" shows the differences in exchange rates due to the translation of the Swiss franc in the consolidation currency.

The following table shows the changes in the provisions for employee benefits that occurred during the period:

Employee Benefits (in € million)	Switzerland		Germany		Italy		Other		Total	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Amounts recognised in the income statement										
Current service cost	-5.0	-5.3	-0.1	-0.1	0.0	0.0	-0.9	-0.9	-5.9	-6.3
Past service cost	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.7
Financial expense for obligations	-0.6	-0.2	-0.3	-0.2	-0.1	0.0	-0.4	-0.1	-1.4	-0.6
Financial income on plan assets	0.7	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.8	0.3
Net actuarial losses for the year	3.0	-1.9	6.1	1.8	1.1	0.0	1.1	0.2	11.4	0.1
Curtailment, settlement, plan amendment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other pension cost	0.0	0.0	0.2	0.1	0.0	0.0	0.0	0.0	0.2	0.1
Net periodical cost	**-1.7**	**-6.9**	**5.9**	**1.6**	**1.0**	**0.0**	**0.0**	**-0.5**	**5.1**	**-5.8**
Group obligations										
Current value of defined benefit plans	-184.6	-213.8	-19.4	-26.9	-12.0	-13.9	-11.2	-12.0	-227.2	-266.6
Fair value of plan assets	207.3	232.3	0.0	0.0	0.0	0.0	4.4	4.8	211.7	237.1
Total	**22.8**	**18.5**	**-19.4**	**-26.9**	**-12.0**	**-13.9**	**-6.8**	**-7.2**	**-15.5**	**-29.5**
Unrecognised plan assets	-22.5	-21.7	0.0	0.0	0.0	0.0	0.0	0.0	-22.5	-21.7
Unrecognised current and past service cost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unrecognised actuarial gains and losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.3**	**-3.1**	**-19.4**	**-26.9**	**-12.0**	**-13.9**	**-6.8**	**-7.2**	**-38.0**	**-51.1**
of which: Post-employee benefits	-0.3	-3.7	-19.4	-26.9	-12.0	-13.9	-6.8	-7.2	-38.6	-51.7
Other non-current assets	0.6	0.6							0.6	0.6
Changes in obligations during the year										
BEGINNING OF THE PERIOD	**-213.8**	**-219.8**	**-26.9**	**-30.2**	**-13.9**	**-15.0**	**-12.0**	**-8.2**	**-266.6**	**-273.2**
Change in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current service	-5.0	-5.3	-0.1	-0.1	0.0	0.0	-0.9	-0.9	-5.9	-6.3
Past service	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.7
Financial expense	-0.6	-0.2	-0.3	-0.2	-0.1	0.0	-0.4	-0.1	-1.4	-0.6
Curtailment, settlement, plan amendment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gains (losses) resulting from experience	-3.0	-2.6	0.2	0.0	-0.7	-0.2	-0.4	-0.2	-4.0	-3.0
Actuarial gains (losses) Resulting from changes in demographic assumptions	0.0	10.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.8
Actuarial gains (losses) resulting from changes in financial assumptions	42.1	6.3	5.9	1.8	1.8	0.4	1.7	0.5	51.6	9.0
Foreign exchange gains (losses)	-10.6	-10.4	0.0	0.0	0.0	0.0	-0.2	-0.1	-10.9	-10.5
Paid benefits	10.7	13.4	1.5	1.8	0.9	1.0	0.9	0.8	14.0	17.0
IFRIC	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.1	0.3
Other	-4.5	-6.4	0.2	0.0	0.0	0.0	0.0	-4.4	-4.3	-10.8
Total change	*29.2*	*6.0*	*7.4*	*3.3*	*1.9*	*1.1*	*0.8*	*-3.8*	*39.4*	*6.6*
END OF THE PERIOD	**-184.6**	**-213.8**	**-19.4**	**-26.9**	**-12.0**	**-13.9**	**-11.2**	**-11.9**	**-227.2**	**-266.6**

Changes in assets during the year										
BEGINNING OF THE PERIOD	**232.3**	**218.7**	**0.0**	**0.0**	**0.0**	**0.0**	**4.8**	**0.4**	**237.1**	**219.0**
Financial income on plan assets	0.7	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.8	0.3
Company's contributions	5.7	5.4	0.0	0.0	0.0	0.0	0.2	0.2	5.9	5.6
Employees' contributions	4.5	4.2	0.0	0.0	0.0	0.0	0.1	0.1	4.6	4.3
Curtailment, settlement, plan amendment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payments	-10.7	-13.4	0.0	0.0	0.0	0.0	-0.5	-0.4	-11.2	-13.8
Actuarial gains (losses) from plan assets	-36.4	5.2	0.0	0.0	0.0	0.0	-0.1	0.1	-36.5	5.3
Foreign exchange gains (losses)	11.4	10.1	0.0	0.0	0.0	0.0	0.0	0.0	11.4	10.1
Asset ceiling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-0.3	1.9	0.0	0.0	0.0	0.0	0.0	4.4	-0.3	6.4
Total change	*-25.0*	*13.6*	*0.0*	*0.0*	*0.0*	*0.0*	*-0.4*	*4.4*	*-25.4*	*18.1*
END OF THE PERIOD	**207.3**	**232.3**	**0.0**	**0.0**	**0.0**	**0.0**	**4.4**	**4.8**	**211.7**	**237.1**

Remeasurements recognized in OCI										
BEGINNING OF THE PERIOD – Other Comprehensive Income (OCI)	**-21.0**	**-19.0**	**-10.1**	**-12.0**	**-3.9**	**-4.1**	**-2.6**	**-2.9**	**-37.6**	**-38.0**
Other changes	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Actuarial gains (losses) following adoption of IAS 19R	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Actuarial gains (losses) resulting from changes in demographic assumptions	0.0	10.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.8
Actuarial gains (losses) resulting from changes in financial assumptions	42.1	6.3	5.9	1.8	1.8	0.4	1.7	0.5	51.6	9.0
Gains (losses) resulting from experience	-3.0	-2.6	0.2	0.0	-0.7	-0.2	-0.4	-0.2	-4.0	-3.0
Actuarial gains (losses) from plan assets	-36.4	5.2	0.0	0.0	0.0	0.0	-0.1	0.0	-36.5	5.2
Asset ceiling	0.3	-21.7	0.0	0.0	0.0	0.0	0.0	0.0	0.3	-21.7
Total change	*3.0*	*-1.9*	*6.1*	*1.8*	*1.1*	*0.2*	*1.1*	*0.3*	*11.4*	*0.4*
END OF THE PERIOD	**-17.9**	**-21.0**	**-4.0**	**-10.1**	**-2.7**	**-3.9**	**-1.5**	**-2.6**	**-26.2**	**-37.6**

Plan assets structure										
Shares	6.5%	6.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.5%	6.5%
Securities	14.1%	14.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.1%	14.4%
Cash	0.2%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.3%
Other assets	79.3%	78.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	79.3%	78.8%
END OF THE PERIOD	**100.0%**	**100.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**100.0%**	**100.0%**

Assumptions used								
Discount rate	2.2%	0.3%	3.9%	1.3%	3.3%	0.8%	6.1%	2.0%
Inflation rate	2.0%	0.8%	1.5%	1.5%	3.4%	1.2%	3.0%	2.7%
Future salary raises	2.0%	0.8%	2.0%	2.0%	1.0%	2.2%	4.7%	3.3%
Future pension raises	0.0%	0.0%	1.5%	1.5%	4.1%	2.4%	2.5%	2.0%

The liability recognised under the "Provision for employee benefits", at 31 December 2022, stood at € 38.6 million, out of which € 38.0 million unfunded, with a decrease of € 13.1 million compared with the net liability of € 51.7 million at 31 December 2021.

A quantitative sensitivity analysis of the significant assumptions used at 31 December 2022 is provided below. Specifically, it shows the effects on the final net obligation arising from a positive or negative percentage change in the key assumption used.

	Switzerland		Germany		Italy		Other		Total	
	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	-5.7%	6.4%	-4.4%	4.8%	-3.3%	3.7%	-2.6%	2.7%	-5.3%	5.9%
Future salary	0.8%	-0.8%	0.0%	0.0%	0.0%	0.0%	0.7%	-0.6%	0.7%	-0.7%
Future pension	3.6%	0.0%	4.4%	-4.1%	0.0%	0.0%	0.0%	0.0%	3.3%	-0.4%
Future inflation rate	0.0%	0.0%	0.0%	0.0%	2.0%	-2.1%	0.1%	-0.1%	0.1%	-0.1%

The sensitivity analysis shown above is based on a method involving extrapolation of the impact on the net obligation for defined benefit plans of reasonable changes to the key assumptions made at the end of the financial year.

The following payments are the expected contributions that will be made in future years to provide for the obligations of the defined benefit plans.

	Switzerland	Germany	Italy	Other	Total
Within 12 months	-11.6	-1.5	-1.1	-0.5	-14.6
From 1 to 5 years	-61.9	-5.5	-3.0	-2.8	-73.2
From 5 to 10 years	-62.3	-6.0	-5.9	-5.8	-80.0
Total	**-135.8**	**-13.0**	**-10.0**	**-9.1**	**-167.8**
Average plan duration (years)	**12.3**	**13.8**	**10.8**	**9.1**	**11.5**

Note 3.5 – Non-current financing

As at 31 December 2022, "Non-current financing" amounted to € 865.2 million versus € 446.4 million in the previous year, and was as follows:

	31.12.2022				31.12.2021			
	< 1 year	< 5 years	> 5 years	Total	< 1 year	< 5 years	> 5 years	Total
Fair value of Current and Non-current Financing	32.7	704.9	160.2	**897.8**	23.1	240.0	206.4	**469.5**

The "Current financing" debt for loans was up € 9.6 million on the previous year; this is essentially attributable to the normal amortization plan of medium/long-term debt. Meanwhile the "Non-current financing" compared to 31 December 2021 was up € 418.7 million mainly due to new refinancing taken out in 2022.

In accordance with IFRS 16, below are the carrying amounts of financial liabilities arising from right-of-use assets broken down by maturity at 31 December 2022:

Expiry dates 31.12.2022 *(in € million)*	0-12 months	2-5 years	>5 years	Total
Financial payables				
- non-current loans		40.4	10.2	50.6
- current loans	20.8			20.8
Financial payables	**20.8**	**40.4**	**10.2**	**71.4**

Net financial indebtedness

The reconciliation with the Net Financial Indebtedness adjusted is set out below.

	Net Financial Indebtedness	2022	2021
	(million €)		
A	Cash	999.2	689.3
B	Cash equivalents including the current financial assets	0.1	0.4
C	Other current financial assets	12.3	4.5
D	**Liquidity (A+B+C)**	**1,011.6**	**694.2**
E	Current financial liabilities	-53.5	-71.1
F	Current portion of non-current financial liabilities	-32.7	-23.1
G	**Current Financial Indebtedness (E+F)**	**-86.2**	**-94.2**
H	**Net Current Financial Indebtedness (G-D)**	**925.4**	**599.9**
I	Non-current financial liabilities	-865.2	-446.4
J	Non-current financing (Debt instruments)	0.0	0.0
K	Non-current Trade and Other Payables	0.0	-4.5
L	**Non-Current Financial Indebtedness (I+J+K)**	**-865.2**	**-450.9**
M	**Total Financial Indebtedness (H+L) (*)**	**60.2**	**149.0**
N	Group Net Financial Indebtedness	98.9	184.8
	Δ M-N	**-38.6**	**-35.8**
	(*) ESMA 32-382-1138 guideline		

In preparing the statement of Net Financial Indebtedness, which is a non-IFRS measure, the Group considered the provisions set out in Consob Communication DEM/6064293 of 28 July 2006 and the ESMA Guidelines issued in May 2021, with the exception that it included non-current financial assets consisting of financial receivables and excluded outstanding debts associated with purchases of equity interest and positive MTM on derivatives.

At 31 December 2022, the Group recorded a positive Net Financial Indebtedness adjusted of € 98.9 million compared with the positive balance of € 184.8 million at 31 December 2021.

A reconciliation of the changes in financial assets and liabilities used in financing activities indicated in the cash flow statement and the balances shown on the financial statements is provided below:

	Non-current financing	Current financial liabilities	Current loans	Current financial assets	Total Net impact
31.12.2021	**446.4**	**46.1**	**23.1**	**-10.8**	**504.8**
Increase/decrease in short-term financial payables (1)	0.0	8.5	-0.3	-1.8	**6.4**
New loans (1)	450.5	0.0	0.0	-0.0	**450.5**
Loans repayment (1)	-62.8	0.0	0.0	-0.0	**-62.8**
New lease contracts	22.5	0.0	0.0	-0.0	**22.5**
Reclassification	-6.7	0.0	6.7	-0.0	**0.0**
Exchange rate effects	0.1	-1.3	0.1	-0.3	**-1.4**
Perimeter variation	15.1	15.5	2.9	-0.3	**33.2**
Net variation positive MTM	0.0	0.0	0.0	-34.0	**-34.0**
Other movements	0.0	-19.0	0.0	0.1	**-18.9**
31.12.2022	**865.2**	**49.7**	**32.7**	**-47.1**	**900.4**

(1): Included in the Cash flows Statement.

Note 3.6 – Other non-current liabilities

"Other non-current liabilities" amounted to € 12.0 million versus € 14.0 million in the previous year. These liabilities are represented primarily by debts to be extinguished beyond the year and non-current contract liabilities. For the disclosure about contract liabilities, refer to 'Note 3.13 – Other current liabilities'.

"Other non-current liabilities" largely reflected the fair value of the debt resulting from the measurement of the individual obligations associated with Put and Call options on non-controlling interests in the recently acquired entities, primarily the newly acquired Chromagen group and the Dutch entity Haas Heating B.V. acquired in 2021.
During the year, "Other non-current liabilities" did not record a significant variation but some transactions took place in the account.

During the year, Ariston Group paid the remaining liability related to the representations and warranties foreseen in the Shares Purchase Agreement for the acquisition of the Danish entity Gastech-Energi A/S after the Danish Court Decision. The amount paid during the 2022 is equal to € 1.2 million. The payment of the liability generated a positive impact in income statement for € 1.3 million which compensates the Group for the fine imposed by the Danish Court.
The shares of Gastech-Energi A/S owned by Ariston Group are now equal to 100%.
As at 31 December 2021 the liability was classified in non-current liabilities because it was not possible to reliably determine when the Danish Court would have issued the judgement.

In June 2022, Ariston Group paid the remaining liability, related to the acquisition of the German company Kesselheld GmbH, to the sellers after agreement between the parties. The liability was not paid for the total amount because the parties offset the tax risks, arising before the Ariston Group acquisition, as stated in the agreement executed by the parties. The amount was already paid into an Escrow Account at the acquisition date and therefore in June 2022 there was not a cash out for Ariston Group. The event described above generated a positive impact in income statement for € 0.3 million.
As at 31 December 2021 the liability was classified in non-current liabilities because the expiration of the execution was in 2023, as stated in the Shares Purchase Agreement, but the parties agreed to bring forward the agreement closing in June 2022.

Note 3.7 – Non-current tax liabilities

"Non-current tax liabilities" amounted to € 1.8 million as 31 December 2022 down by for € 6.0 million compared to the amount as at 31 December 2021. The decrease was mainly due to reclassification to "Tax payables" of € 6.5 million related to the third payment of substitute income tax (overall equal to 3% of the accounting revaluation carried out in the local financial statements of Italian companies), payment of which shall be made within the deadline for paying the balance of income taxes for tax period 2023.

Note 3.8 – Trade payables

"Trade payables" at 31 December 2022 amounted to € 481.4 million showing an increase of € 4.2 million, compared with 31 December 2021. They are not subject to interests and their carrying value is believed to be close to the fair value at the end of the reporting period.

Trade payables in terms of the average number of days for payment, amounted to 96 days in 2022 and 97 days in 2021.

Note 3.9 – Tax payables

"Tax payables" amounted to € 53.0 million versus € 45.1 million in 2021.

Tax payables *(in € million)*	31.12.2022	31.12.2021
Income tax payables	30.5	27.2
Tax payables due to Parent company	13.6	10.4
Other tax payables	8.8	7.5
Total	53.0	45.1

This item includes the income tax payables related to Italian and foreign companies. The increase in tax payable in 2022 is mainly reflected in the increase in the business performance occurred during the year.

Ariston Holding N.V. is incorporated in the Netherlands but is a tax resident of Italy and is controlled by Merloni Holding S.p.A.. Ariston Holding N.V. and its Italian subsidiaries have adopted the national tax consolidation scheme. At 31 December 2022, the individual Italian companies' income tax receivables and payables were recorded from or to, respectively, Merloni Holding S.p.A.. These amounts are included in the "Tax payables" due to the controlling shareholder for tax consolidation.

Note 3.10 – Current provisions

This item amounts to € 36.2 million and is described in the note '3.3 - Non-current provisions for risks and charges', to which reference should be made.

Note 3.11 – Current financial liabilities

As at 31 December 2022, "Current financial liabilities" amounted to € 49.7 million versus € 46.1 million in the previous year.

Liabilities are the following:

Current financial liabilities *(in € million)*	**31.12.2022**	**31.12.2021**
Short-term debt due to bank	21.6	22.8
Financial derivative liabilities	10.5	7.4
Other current financial liabilities	17.6	15.8
Total	**49.7**	**46.1**

Short-term debt due to banks showed a € 1.3 million decrease as a result of a lower draw-down of short-term lines. Short-term uncommitted credit lines amounted to approximately € 395.0 million and consisted almost entirely of current account credit lines and advances utilized as at 31 December 2022 for € 49.0 million (€ 34.0 as at 31 December 2021).

As at 31 December 2022, "Financial derivate liabilities" amounted to € 10.5 million and included the negative fair value and derivatives closed but not yet paid of financial derivatives instruments.
The fair value of financial derivatives included hedges on foreign exchange for € 3.5 million (€ 1.2 million as at 31 December 2021) and on commodities for € 1.3 million (€ 0.1 million as at 31 December 2021).
The negative accruals to financial derivatives closed but not yet paid at the reporting date amounted to € 5.6 million.
The change in commodity, foreign exchange and interest rates hedges was offset by the change in the underlying hedged items. The fair value measurement of the derivative instruments has a direct contra-entry in the equity reserve related to the cash flow hedge for a total of € 22.8 million. For a more detailed explanation of hedging instruments, see the section on the instruments for financial risk management.

The item "Other current financial liabilities" amounted to € 17.6 million (€ 15.8 million as at 31 December 2021) and consisted for € 13.0 million of the short-term debt for bank notes or similar tradable instruments issued, held by subsidiaries in China, and used in commercial transactions with customers and suppliers in order to settle supply agreements.

Note 3.12 – Current loans

The balance of "Current loans" amounted to € 32.7 million versus € 23.1 million at 31 December 2021.
The item consists primarily of the short-term portion of the medium/long-term bank loans, the details of which are annexed to the 'Note 3.5 - Non-current financing'.

Note 3.13 – Other current liabilities

"Other current liabilities" amounted to € 174.5 million, increased by € 16.2 million with the € 186.3 million at 31 December 2021.

Other current liabilities *(in € million)*	31.12.2022	31.12.2021
Current payables due to personnel	51.7	50.9
Contract liabilities	41.9	34.6
Indirect tax payables	29.2	20.2
Current payables for social security contributions	19.1	17.9
Customers credit balance	13.1	9.0
Advances from customers	5.6	7.2
Deferred income	4.8	5.6
Short-term put/call debts	3.8	25.1
Long-term employees incentive scheme (current)	0.3	2.2
State Green Programmes	0.0	7.5
Other current payables	5.1	6.1
Total	174.5	186.3

In accordance with IFRS 15, performance obligations to customers at contract level are presented as contract liabilities.

Contract liabilities include:

- Rights of Return
- After-sales service, which include Service maintenance contracts and Service type warranties

	31.12.2022				31.12.2021			
	Up to 1 year	From 1 to 5 years	Over 5 years	Total	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Right of returns	2.7	0.0	0.0	**2.7**	1.4	0.0	0.0	**1.4**
After-sales services	39.1	3.7	7.8	**50.6**	33.2	2.1	7.0	**42.3**
Total	**41.9**	**3.7**	**7.8**	**53.4**	**34.6**	**2.1**	**7.0**	**43.7**

The table below presents the opening and closing balances of contract liabilities as well as movements during the years:

	Right of returns	After-sales services	Total
Opening Balance 01.01.2021	**0.0**	**35.5**	**35.5**
Increase recognized during the period	0.0	85.6	85.6
Revenue recognized during the period	0.0	-82.9	-82.9
Contracts cancelled during the period	0.0	-0.4	-0.4
Net variation invoicing	0.0	4.0	4.0
Other changes to contract balances	1.4	0.5	1.9
Closing balance 31.12.2021	**1.4**	**42.3**	**43.7**

	Right of returns	After-sales services	Total
Opening Balance 01.01.2022	**1.4**	**42.3**	**43.7**
Increase recognized during the period	0.0	103.7	103.7
Revenue recognized during the period	0.0	-92.7	-92.7
Contracts cancelled during the period	0.0	-2.1	-2.1
Net variation invoicing	0.0	-1.4	-1.4
Other changes to contract balances	1.3	0.9	2.2
Closing balance 31.12.2022	**2.7**	**50.6**	**53.4**

"Current payables due to personnel" include the amounts accrued by personnel and not yet disbursed. It increased by € 0.8 million compared to 31 December 2021.

The item "Indirect tax payables" includes the VAT payables due to tax authorities. The € 9.0 million increase was linked to the operative business.

"Current payables for social security contributions" included all relationships that the company is required to maintain with social security and insurance entities for its employees and workers with atypical contracts (*parasubordinati*). It was up by €1.2 million compared with 31 December 2021.

The "Short-term put/call debts" arises from purchase agreements that are to be settled in the near future. The item showed a decrease, discussed below, of € 21.3 million.

In May 2022, the Group exercised the Put and Call option for HTP Comfort Solutions LLC, now known as Ariston Thermo USA LLC. Starting from 31 May 2022, the Ariston Thermo USA LLC's shares owned by Ariston Group are now equal to 100%. The amount paid during the 2022 is equal to $ 23.4 million (€ 21.9 million). The liability related to the earn out has been not paid to the seller after agreed between the parties. This event has generated a positive financial impact in income statement for € 4.9 million.

In January 2022, Ariston Group completed the acquisition of Chromagen group. From the Asset Purchase Agreement is stated a representation and warranties clause covered by an escrow account (€ 2.2 million) as guarantee for the seller. The present value of the outstanding amount that will be paid to the seller is considered as financial liabilities

The balance as at 31 December 2022 includes the liability for the Put and Call on HAAS B.V., Atmor Industries and Chromagen group.

The item "Advances from customers" shows all advances received from customers for supplies not yet delivered. The item was substantially in line with 31 December 2021.

"Deferred income" included adjustments of costs and revenues for the year in order to comply with the competence principle and the accrual principle (accruals and deferred income, also relating to financial liabilities).

The item "Long-term employees incentive scheme" reflects the obligation under a three-year long-term incentive plan (LTI), to be awarded to the group of senior managers. The reduction is due to the reclassification to equity, according to IFRS 2 principle, whit most of incentive schemes being shifted to a share-based plan.

The "State Green Programmes" includes the amounts due and not paid to the entities that sold Ariston Group companies tax credits relating to energy efficiency or energy saving projects falling within the scope of Article 14 of Italian Decree-Law no. 63/2013 and Article 16 bis of Italian Presidential Decree 917 of 1986 ("Ecobonus Projects"), carried out by using products purchased from a reseller and provided to the latter by the Group's companies. The significant decrease of the "State Green Programmes" equal to € 7.5 million is due to the payments to the counterparts after the collection of the receivables during December 2022 while at 31 December 2021 the payment was partial due to in complete collection from banks as mentioned in 'Note 2.12 – Other current assets'.

Note 3.14 – Liabilities held for sale

There are no "Liabilities held for sale".

6.4 Other information

COMMITMENTS

Commitments

The commitments outstanding at 31 December 2022, equal to € 0.1 million, referred to the equivalent value of the payments (USD 0.1 million) of additional shares in an ''Investment company in risk capital (SICAR) provision'' specializing in interventions in sectors in which the Group operates, to be carried out when they are called up by the fund managers for the established commitment.
At 31 December 2022, there were no other commitments to be mentioned except for the ones concerning the call and put options entered into as part of the recent acquisitions and already accounted for as "Other liabilities".

Guarantees issued

The sureties issued in favour of third parties amounted to € 0.6 million.
Third-party assets in deposit accounts amounted to € 14.4 million.
No collateral guarantees are issued by the Group.

FINANCIAL INSTRUMENTS

Below are the Group's financial instruments recognised by category and level of confidence of their fair value measurements at 31 December 2022:

31.12.2022 *(in € million)*	Note	Carrying value per type						Fair value			
		Fin. instr. at fair value through P&L	Fin. instr. at fair value through OCI	Available for sale	Loans & receivables (*)	Fin. liabilities at amortised cost (*)	Total	Level 1	Level 2	Level 3	Total
Measured at :		Fair value	Fair value	Fair value	Amortised cost	Amortised cost					
Financial assets											
Cash and cash equivalents	**2.13**	0.0	0.0	0.0	999.3	0.0	999.3	0.0	0.0	0.0	0.0
Trade receivables	**2.9**	0.0	0.0	0.0	308.4	0.0	308.4	0.0	0.0	0.0	0.0
Current financial assets	**2.11**	0.0	34.8	0.0	10.2	2.0	47.1	0.0	34.8	0.0	34.8
Financial assets	**2.5**	0.0	0.0	0.0	6.1	0.0	6.1	0.0	0.0	0.0	0.0
Total		**0.0**	**34.8**	**0.0**	**1,324.0**	**2.0**	**1,360.8**	**0.0**	**34.8**	**0.0**	**34.8**
Financial liabilities											
Trade payables	**3.8**	0.0	0.0	0.0	0.0	481.4	481.4	0.0	0.0	0.0	0.0
Current financial liabilities	**3.11**	0.0	4.8	0.0	0.0	44.8	49.7	0.0	4.8	0.0	4.8
Current loans	**3.12**	0.0	0.0	0.0	0.0	32.7	32.7	0.0	0.0	0.0	0.0
Non-current financing	**3.5**	0.0	0.0	0.0	0.0	865.2	865.2	0.0	0.0	0.0	0.0
Total		**0.0**	**4.8**	**0.0**	**0.0**	**1,424.0**	**1,428.8**	**0.0**	**4.8**	**0.0**	**4.8**
Financial instruments balance		**0.0**	**30.0**	**0.0**	**1,324.0**	**-1,422.0**	**-68.0**	**0.0**	**30.0**	**0.0**	**30.0**

(*) For such categories the carrying amount approximates the fair value

The financial instruments of the Group, recognised in the financial statements with a similar breakdown at 31 December 2021, are shown in the table below:

31.12.2021 *(in € million)*	Note	Carrying value per type						Fair value			
		Fin. instr. at fair value through P&L	Fin. instr. at fair value through OCI	Available for sale	Loans & receivables (*)	Fin. liabilities at amortised cost (*)	Total	Level 1	Level 2	Level 3	Total
Measured at :		Fair value	Fair value	Fair value	Amortised cost	Amortised cost					
Financial assets											
Cash and cash equivalents	**2.13**	0.0	0.0	0.0	689.7	0.0	689.7	0.0	0.0	0.0	0.0
Trade receivables	**2.9**	0.0	0.0	0.0	248.3	0.0	248.3	0.0	0.0	0.0	0.0
Current financial assets	**2.11**	0.0	0.8	0.0	9.0	1.0	10.8	0.0	0.8	0.0	0.8
Financial assets	**2.5**	0.0	0.0	0.0	5.2	0.0	5.2	0.0	0.0	0.0	0.0
Total		**0.0**	**0.8**	**0.0**	**952.1**	**1.0**	**953.9**	**0.0**	**0.8**	**0.0**	**0.8**
Financial liabilities											
Trade payables	**3.8**	0.0	0.0	0.0	0.0	477.2	477.2	0.0	0.0	0.0	0.0
Current financial liabilities	**3.11**	0.0	2.5	0.0	0.0	43.6	46.1	0.0	2.5	0.0	2.5
Current loans	**3.12**	0.0	0.0	0.0	0.0	23.1	23.1	0.0	0.0	0.0	0.0
Non-current financing	**3.5**	0.0	0.0	0.0	0.0	446.4	446.4	0.0	0.0	0.0	0.0
Total		**0.0**	**2.5**	**0.0**	**0.0**	**990.3**	**992.8**	**0.0**	**2.5**	**0.0**	**2.5**
Financial instruments balance		**0.0**	**-1.7**	**0.0**	**952.1**	**-989.3**	**-38.9**	**0.0**	**-1.7**	**0.0**	**-1.7**

(*) For such categories the carrying amount approximates the fair value

Notes:
Level 1: quoted prices on an active market for the asset or liability being measured.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).
Level 3: unobservable inputs for the asset or liability.

As the above table shows, at the reporting date, there were no differences between the carrying amounts of financial instruments and the corresponding fair value. In particular, among the non-current financial assets, obligations are mainly stated at fair value.
Current and non-current loans are at both fixed and floating rates and are recognised at their amortised cost.
As already described in 'Note 3.11 – Current financial liabilities' and in 'Note 2.11 – Current financial assets' of these notes, current financial assets/liabilities include the fair value, at the end of the reporting period, of the derivative financial instruments used to hedge the purchase of commodities (negative for € 0.6 million), exchange rates (negative for € 2.0 million) and interest rates (positive for € 32.5 million).
For details on these transactions, see the section "Hedging instruments".
The Group is exposed to operations related financial risks, including credit risk, liquidity risk and market risk, and constantly monitors them.
The following section provides qualitative and quantitative information about the impact of these risks on the Group.

Financial instruments at fair value through OCI include fair value of derivatives mainly on interest rates, exchange rates and commodities for which the Group has applied the IFRS 9 Hedge Accounting.

CREDIT RISK

Credit risk is the Group's exposure to potential losses from failure by commercial counterparties to fulfil obligations they have entered into. Failure to collect or late collection of trade receivables could impact negatively on the Group's economic results and financial equilibrium.
The Group's policy for managing credit risk from commercial activities envisages the preliminary assessment of counterparties' creditworthiness, the management of credit limits and the adoption of risk mitigation instruments, such as the acquisition of bank guarantees, letters of credit and the external transfer of part of the insolvency risk through a global program of credit insurance.
The portion of insured receivables, at 31 December 2022, was 64.2% of the total exposure.

In order to mitigate credit risk, the Group has also adopted a policy which defines the strategic guidelines and operating rules for an effective system to control each company's credit.
In addition, the policy defines the means for estimating expected losses, in accordance with the means set out hereafter and taking account of the mitigating factor represented by the aforementioned instruments for insured credit.

For trade receivables, the Group uses the "12-month ECL" methodology to determine the lifetime of the expected losses associated with the probability of default over the next 12 months, using a forward-looking approach. The calculation of the expected credit loss, which is made on the residual life of the receivables at the date of their recognition in the financial statements and the subsequent reporting dates, considers a 12-month time horizon, since at the closing date of the period there was no significant increase in credit risk.
In particular, the Group applies an approach defined as a "provision matrix", based on the division of trade receivables into clusters on the basis of type (ordinary/legal), ageing (past-due ranges) and country rating. For the purposes of determining expected losses, the Group applies a definition of the default threshold for ordinary receivables of 120 days past due and 100% for receivables which have moved to legal default, since this is considered an effective indication of the threshold beyond which the receivable is considered unrecoverable. The calculation of the probability of default is therefore based on the effective number of days the payment is overdue. In the same perimeter, for a percentage of 31% in terms of newly recalculated bad debt fund, the Group is applying a new impairment criteria based on the probability of default (PD) obtained from external sources and historical loss rates.

As regards the write-off criteria, these are clearly based on the specific statutory and tax rules in force in the various countries where the Group companies are present.

Maximum risk exposure

The maximum exposure to risk, net of guarantees, at 31 December 2022 was € 110.3 million. The Group has not identified any concentration risk on customers and on its trade receivables as the Group has a very diversified customers risk portfolio without any significant increase in a risky customer share. The Group seeks to mitigate the credit risk by depositing its liquidity in leading bank and corporate counterparties selected according to their credit quality.
The table below summarises the types of instruments protecting against credit risk used by the Group:

Type *(in € million)*	**31.12.2022**	**%**	**31.12.2021**	**%**
Receivables under insurance policies	192.4	62.4%	156.6	63.0%
Other	5.7	1.9%	9.6	4.0%
Total insured receivables	198.1	64.2%	166.2	67.0%
Non-insured receivables	103.3	35.8%	82.1	33.0%
Total receivables	**308.4**	**100.0%**	**248.3**	**100.0%**

"Other" mainly includes receivables insured through letters of credit and bank guarantees.

Overdue financial assets

The instrument used for the classification and monitoring of credit is ageing, according to which the accounts payables are divided by their expiry dates, starting from the most recent (1-30 days) to the oldest (beyond 120 days).
The amount of receivables past-due within 60 days is € 26 million (versus € 19.6 million at December 2021) whereas the amount of receivables past-due beyond 60 days is € 16.2 million (versus € 13.8 million at December 2021).
For the purposes of representing trade receivables for issued invoices by past-due ranges, the following table is provided:

Overdue ageing *(in € million)*	**31.12.2022**	**%**	**31.12.2021**	**%**
Overdue 0-30	19.3	5.1%	14.2	6.0%
Overdue 31-60	6.7	2.2%	5.4	2.0%
Overdue 61-120	3.9	1.2%	1.8	1.0%
Due after 120 and legal	12.3	4.0%	12.0	4.0%

The credit policy defines the depreciation grid for the statistical part differentiating percentage by aging and country risk class where the trade receivable amount is allocated.
The current (not overdue) receivables amounted to € 266.2 million. Also these amounts are allocated to their country risk class and subject to depreciation according to the assigned percentage of devaluation. The related provision for bad debt amounted to € 3.2 million.
For Companies with a credit insurance contract, percentages applied on the category insured customers will be lower by 60% up to overdue below 180 days, while over 180 days the percentages remain the same.

As at 31 December 2022 the Group did not measure trade receivables at amortized cost because there are no trade receivables with maturities greater than one year.

Method used to calculate the bad debt provision

The allocation for the provision is made on the basis of both analytical and generic assessments, as set out below:

Specific write-off: the receivables in litigation or past-due for longer than one year or transferred to an external collection agency are subject to a specific impairment loss according to the progress of their recovery and the information provided by the attorneys.
Simplified IFRS 9 model: for receivables that are past-due within the year, assessments are applied based on historic analyses in relation to the ageing of the receivables, in some cases up to customer level, and the risk grade of each individual country, market and type of customer. Here below the percentage used for the simplified IFRS 9 (ECL).

Depreciation grid

Trade receivables aging	Country risk A	Country risk B	Country risk C	Country risk D
Overdue > 360 days	70%	80%	90%	100%
Overdue 271- 360	50%	60%	70%	90%
Overdue 181- 270	35%	40%	50%	70%
Overdue 121-180	20%	25%	35%	50%
Overdue 91-120	12.5%	15%	20%	30%
Overdue 61-90	7.5%	10%	12.5%	20%
Overdue 31-60	2.5%	5%	7.5%	10%
Overdue 0-30	1.25%	1.5%	2.5%	5%
Current (not overdue)	0.5%	0.75%	1%	1.5%

Following is the summary of the specific and simplified ECLs assessments used to determine the bad debt provision:

Analysis of bad debt provision		31.12.2022	31.12.2021
Total receivables	Gross	325.4	267.3
	Provision	17.0	19.0
	Net	308.4	248.3
Receivables impaired on a specific basis	Gross	5.2	6.7
	Provision	4.7	6.0
	Net	0.5	0.7
Receivables impaired on a simplified ECLs	Gross	320.2	260.6
	Provision	12.3	13.0
	Net	307.9	247.6

LIQUIDITY RISK

As at 31 December 2022, the Group's "Overall available liquidity", defined as the sum of cash and cash equivalents and the unused portion of committed credit lines (equal to € 430 million at December month-end) amounted to approximately € 1,429 million.
As at 31 December 2022, the Group's overall bank credit lines, including the used and unused credit lines (both committed and uncommitted) totalled approximately €1.7 billion, of which approximately 53% was drawn.
The primary sources of liquidity for its business comprise cash generated from operations and bank financing.
The Group periodically assesses its financial needs, in order to act in a timely manner to find the necessary additional resources and implements actions in response to its findings. The Group seeks to maintain an adequate mix of resources in terms of maturities, financial instruments and available amounts.

The following table shows the contractual expiry dates for the financial liabilities other than derivatives. These figures are based on the non-discounted cash flows, including financial charges, as at the next closest date when the Group may be asked for the payment.

Expiry dates 2022 *(in € million)*	< 1 month	2-6 months	6-12 months	1-5 years	> 5 years	Total
Trade payables	**121.1**	**359.9**	**0.0**	**0.4**		**481.4**
Financial payables						
- Current financial liabilities	10.7	18.0	20.9			**49.6**
- Current loans		4.1	28.6			**32.7**
- Non-current financial liabilities						**0.0**
- Non-current loans		5.4	5.0	736.4	169.9	**916.7**
Total financial payables	**10.7**	**27.5**	**54.5**	**736.4**	**169.9**	**999.0**
Expiry dates	131.8	387.4	54.5	736.8	169.9	1,480.4

The details for the expiry dates of financial and trade payables as at 31 December 2021 are shown in the table below:

Expiry dates 2021 *(in € million)*	< 1 month	2-6 months	6-12 months	1-5 years	> 5 years	Total
Trade payables	**120.0**	**355.8**	**0.3**	**1.1**		**477.2**
Financial payables						
- Current financial liabilities	24.2	20.8	1.0			**46.1**
- Current loans		2.0	21.1			**23.2**
- Non-current financial liabilities						
- Non-current loans		2.4	2.4	257.1	207.8	**469.6**
Total financial payables	**24.2**	**25.2**	**24.5**	**257.1**	**207.8**	**538.8**
Expiry dates	**144.2**	**381.0**	**24.8**	**258.2**	**207.8**	**1,016.0**

MARKET RISK

The Group is exposed to several market risks and, in particular, to the possibility that fluctuation in exchange rates, interest rates and commodity prices may affect the value of assets, liabilities and the expected cash flows.
The market risk management policies applied to interest rates, exchange rates and commodities, are centrally defined to mitigate the above risks in a structured and proactive manner in the advancement of the Group's objectives.
The three types of market risk can be characterized as described here below.

Exchange rate risk

The international context where the Group operates exposes the Group to the risk that changes in exchange rates may affect its financial results.

The exposure to exchange rate risk determines:

a) impacts on the operating result due to the different valuation of income and expense in another currency compared to the time when the price conditions were agreed upon (economic risk);
b) impacts on the operating result due to the translation of trade or financial receivables/payables denominated in another currency (transaction risk);
c) impacts on the consolidated financial statements due to the translation of assets and liabilities held by companies that prepare their financial statements in a currency other than the euro (translation risk).

The most significant exposure in other currencies of the Group concerns the exchange rate of the euro against the US dollar, Chinese renminbi, Swiss franc and several other currencies for lower amounts.

The economic risk is hedged through average rate forward financial instruments, i.e. hedging agreements against the volatility that characterises the currency markets, using as a reference the monthly average exchange rates, and that allow the Group to achieve the goals set out in its market risk management policy. In order to pursue these goals, the Group entered into derivatives hedging a set proportion of net exposure in currencies other than the Group's currency. At each reporting date, the exposure is presented in the financial statements using hedge accounting, which requires recognising derivatives at their fair value in the statement of financial position. The Group considered it possible to use hedge accounting since the hedging relationship is effective in accordance with IFRS 9.

In order to minimise the exposure to the transaction risk, the Group uses derivative forward instruments which allow for protection against revaluations/write-downs at the due date of the credit and debit positions of a financial and commercial nature.

The Group does not hedge the translation risk except for any distribution of intergroup dividends.

As at the reporting date, the notional amount of forward currency contracts (sale and purchase) entered into by the Group, can be summarised as follows:

(in € million)	Notional amount in Currency	Notional amount in €
CHF	91.8	93.2
GBP	10.8	12.1
AUD	0.3	0.2
CNY	-276.0	-37.5
USD	44.1	41.3

At the same date, the fair value of the foreign exchange derivatives was overall negative, standing at € 2.0 million.

In relation to exchange rate risk, the Group performed sensitivity analysis to measure how exchange rates fluctuations against the euro may affect pre-tax profitability. The sensitivity analysis was performed on the currencies to which the Group is exposed. The hypothesised scenario envisages a general variation in exchange rates of 2% and the following table shows the sensitivity, while keeping all the other variables fixed, in terms of the profit before tax and equity, gross of the tax effect:

(in € million)	Effect on profit before tax	Effect on equity
31.12.2022		
Foreign currency revaluation	1.8	1.8
Foreign currency devaluation	-1.8	-1.8

Commodity price fluctuation risk

Profit and loss are affected by the performance of prices of raw materials, in particular as regards non-ferrous metals such as copper, nickel and aluminium, as well as precious metals like silver, which represent one of the primary components of the majority of products traded by the Group.

For hedging purposes against the risk of fluctuating prices for copper, silver and nickel, the Group provided, through the parent company Ariston Holding N.V., for the necessary hedging measures in line with the procedures already adopted in the previous years aimed at reducing the impact of price volatility in purchases over coming years.

Thus, the Group partly hedged purchases also for the years 2022, 2023 and 2024.

In order to achieve the goals set out in the market risk management policy, the Group entered into derivatives hedging a set proportion of raw material purchases. At each reporting date, the exposure is presented in the financial statements using hedge accounting, which requires recognising derivatives at their fair value in the statement of financial position.

The Group considered it possible to use hedge accounting since the hedging relationship is effective in accordance with IFRS 9.

When these instruments no longer qualify for hedge accounting, they are recognised as trading instruments.

At the reporting date, the notional amount of forward commodity contracts entered into by the Group, can be summarised as follows:

Commodity	Financial instruments	Quantity/ton	Total price *(in € million)*
Copper	Forward	2,220.0	18.0
Nickel	Average Forward	26.0	0.6
Silver	Average Forward	2.4	1.5
Aluminium	Forward	1,265.0	3.1
Steel	Average Forward	6,600.0	5.2

At the same date, the fair value measurement of the derivatives on commodities showed a net negative amount of € 0.6 million.
Derivatives contracts entered into and closed during the year realized a positive result amounting to approximately € 0.3 million which impacted the purchase cost of commodities.

Interest rate risk

Interest rate risk refers to the possible impact on the income statement deriving from fluctuations in the interest rates applied to the Group's loans.
The amount of the Group's variable rate debt exposure, not hedged against interest rate risk, represents the main element of risk for the negative impact from an increase in market interest rates. The interest rate risk to which the Group is exposed originates primarily from bank financing.
The Group's policy for managing this risk seeks to strike a balance between fixed and variable rate debts, taking into account the maturity profile, the short-term market outlook and with the purpose of containing funding costs.
As at 31 December 2022, the Group had, for hedging purposes, interest rate swap (IRS) transactions for a total notional amount of € 418.4 million.
At the same date, 51% of bank financing was hedged and 49% was at a variable rate, consistent with the Group policy.

The sensitivity analysis of interest rate risk is conducted under the delta margin approach and is aimed at measuring how a given change in interest rates would affect financial expense associated with variable rate debt over the next 12 months. The sensitivity of the interest spread, assuming a generalised +/- 50 basis point change in interest rates, amounted to € +2.0 million and € -2.0 million, respectively, at the end of December 2022.

HEDGING INSTRUMENTS

In summary, at 31 December 2022, the following financial hedging instruments are in place:

- against exchange rates – Swiss franc, British pound sterling, US dollar and Chinese renminbi;
- against commodities – copper, nickel, silver, aluminium and steel;
- against interest rates – medium/long-term floating rate loans.

The hedging instruments applied to exchange rates were set up in order to reduce the Group's economic and transactional risk, and they meet all the formal requirements set out in the IAS/IFRSs and are therefore recognised in hedge accounting.

The following table shows the details of hedging instruments in use as at 31 December 2022. The amounts are expressed in millions of euro:

Hedging instruments 31.12.2022 *(in € million)*	Nature of risk covered	Fair value 31.12.2022	Non-current financial assets	Current financial assets	Non-current financial liabilities	Current financial liabilities	Total
Interest Rate Swap	Interest rate	32.5		32.5			32.5
Average Forward	FX	-2.0		1.5		-3.5	-2.0
Forward	Commodity	-1.1		0.2		-1.3	-1.1
Average Forward	Commodity	0.5		0.5		0.0	0.5
Hedging instruments		**30.0**		**34.8**		**-4.8**	**30.0**

The following table shows the details of hedging instruments in use as at 31 December 2022. The amounts are expressed in millions of euro:

Hedging instruments 31.12.2021 *(in € million)*	Nature of risk covered	Fair value 31.12.2021	Non-current financial assets	Current financial assets	Non-current financial liabilities	Current financial liabilities	Total
Interest Rate Swap	Interest rate	-1.2				-1.2	-1.2
Average Forward	FX	-1.2		-1.2			-1.2
Forward	Commodity	0.8				0.8	0.8
Average Forward	Commodity	-0.1				-0.1	-0.1
Hedging instruments		**-1.7**		**-1.2**		**-0.5**	**-1.7**

RELATED PARTY DISCLOSURES

At 31 December 2022 Ariston Holding N.V., controlled by Merloni Holding S.p.A., and its Italian subsidiaries, adopted the national tax consolidation scheme. At 31 December 2022, the income tax receivables and payables of the individual Italian companies were recorded from or to, respectively, Merloni Holding S.p.A. At 31 December 2022, the Company and its Italian subsidiaries had a payable position from Merloni Holding S.p.A. for € 6.6 million. All tax receivables and payables are non-interest-bearing.
All transactions with related parties were carried out in the Group's interest.

Based on the transactions carried out by Ariston Group during 2022, related parties are mainly represented by:

- companies directly and/or indirectly related to the majority shareholder of Ariston Holding N.V.;
- Directors and/or companies related to the same.

The following table shows the figures of the main transactions with related parties:

	31.12.2022				31.12.2021			
(in € million)	Receivables	Payables	Revenue	Costs	Receivables	Payables	Revenue	Costs
Fondazione A. Merloni	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.5
Janus Immobili per l'industria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
Merloni Holding S.p.A.	7.2	13.8	0.1	0.1	13.8	10.5	0.0	0.0
Novapower S.r.l.	0.0	0.3	0.0	0.3	0.0	0.4	0.0	0.3
Novacapital S.r.l.	0.1	0.2	0.1	0.2	0.0	0.2	0.0	0.2
Nova Re S.r.l.	0.0	0.3	0.0	0.2	1.6	0.0	1.2	0.0
Total	7.3	14.6	0.2	1.3	15.4	11.1	1.2	1.5

As regards transactions with related parties, it should be noted that they are not to be qualified as atypical or unusual but should be included in the normal course of operations carried out by Group companies. These transactions are regulated by market conditions and based on the characteristics of the services provided.
The main transactions with related parties concern Nova Re S.r.l., consisting of recharge of costs related to the structural investments made at Follina plant.
In addition, members of the Ariston Board of Directors and executives with strategic responsibilities and their families are also considered related parties.

REMUNERATION PAID TO THE PARENT COMPANY'S BOARD OF DIRECTORS

Fees attributable to the year and represented by remuneration to Directors of the Parent Company, at 31 December 2022, are summarised as follow:

Office *(in € million)*	Year	Fixed remuneration		Variable remuneration
		Base salary	Fees	Short-term incentive
Directors	2022	1.9	0.7	1.1
Total		**1.9**	**0.7**	**1.1**

Notes:
- *Fixed remuneration does not include Benefits and Perks*
- *Variable remuneration does not include the Long-term incentive*
- *Base Salary includes: i. for the Executive Chairman, the employee gross salary as well as the Executive Director fee; ii. For the Chief Executive Officer the Executive Director fee.*
- *Fees include the Non-Executive Directors fees as well as the committee remuneration*
- *Short-term incentive includes: the pay-out for the year of performance*

Both the remuneration of the Executive and the Non-Executive Directors have been included in the 'Note 3.1.1 – Stock-based incentive plans payments'.

AUDIT FEES

The fees for services provided by the Company's independent auditors, Ernst & Young Accountants LLP, and its member firms and/or affiliates, to the Company and its subsidiaries are broken down as follows:

Audit fee (in € million)	31.12.2022	31.12.2021
Audit fees	1.6	1.8
Other non-audit services	0.4	3.0
Total	**2.0**	**4.8**

The fees for audit services provided in 2022 by Ernst & Young Accountants LLP are equal to € 0.3 million (€ 0.1 million in 2021).
The fees for non-audit services provided in 2022 by Ernst & Young Accountants LLP are equal to € 0.1 million (€ 0.1 million in 2021).

EVENTS AFTER THE REPORTING PERIOD

On 2 January 2023, Ariston announced the completion of the acquisition of Centrotec Climate Systems GmbH (CCS) after all closing conditions were met, including the clearance granted by the competent merger-control authorities of Germany, the Netherlands and Austria.

Ariston Holding N.V. purchased 100% of both ownership and voting rights CCS from its parent company, Centrotec SE, for € 635.1 million in cash and approximately 41.42 million Ariston's shares.

Via its renowned brands Wolf, Brink, Pro-Klima and Ned Air, CCS is a leading player in the supply of heating, ventilation, air-handling and combined heat & power solutions, with ca. 2,500 people employed and a well-established presence in Germany, in the Netherlands and a solid exposure to many other European markets. The manufacturing base is mainly located in Germany, the Netherlands and Croatia. Revenues were € 599 million in 2021 with an EBITDA adjusted of € 84.8 million and a robust growth in revenues and profitability in the last years: top line grew at a +11.2% CAGR between 2018 and 2021, and by 16% YoY in H1 2022.

At the date of the approval of this Annual Report 2022, the accounting of the business combination of CCS is not yet complete given that the Consolidated Financial Statements as at 31 December 2022 of CCS, at the moment of writing, has not yet been approved by its Board of Directors. For the initial accounting and opening balances of the business combination, Ariston Group will consider the figures from the Consolidated Financial Statements as at 31 December 2022 given that the Closing Date of the acquisition of Centrotec group is 2 January 2023. No significant variations between the figures of Centrotec group as at 31 December 2022 and 2 January 2023 have been occurred at the date of the approval of this Annual Report 2022.

According to IFRS 3, paragraph 64B, the Group disclosed the information for points from a) to e). The other financial information, from f) onward, is not available.

For the reason explained above, Ariston will start to consolidate CCS in 2023 given that the control of assets has been obtained after the closing date (2 January 2023) and the business combination will be accounted accordingly in 2023 in line the standard IFRS 3.

LIST OF COMPANIES AT 31 DECEMBER 2022

N°	Company	Registered office	Curr.	Share capital	Business unit (*)	Group's controlling interest	Investing companies	Direct controlling interest	Subsidiaries' controlling interest	Minority interest
1	Ariston Holding N.V.	Netherlands	EUR	46,061,835.32	TC	parent company				
2	AR1 S.r.l.	Italy	EUR	200,000	TC	100.00	Ariston S.p.A.		100.00	
3	Ariston Benelux S.A./N.V.	Belgium	EUR	15,000,000	TC	100.00	Ariston Holding N.V.	100.00		
4	Ariston Deutschland GmbH	Germany	EUR	255,700	TC	100.00	Elco International GmbH		100.00	
5	Ariston Egypt LLC	Egypt	EGP	10,900,000	TC	100.00	Ariston Holding N.V.	99.99		
							Ariston S.p.A.		0.01	
6	Ariston France sas	France	EUR	54,682,110	TC	100.00	Ariston Holding N.V.	99.99		
							Elco International GmbH		0.01	
7	Ariston Heating Technology Nigeria Ltd	Nigeria	NGN	10,000,000	TC	100.00	Ariston Holding N.V.	100.00		
8	Ariston Holding Egypt LLC	Egypt	EGP	100,000	TC	100.00	ATAG Heating B.V.		99.00	
							Ariston Holding N.V.	0.01		
9	Ariston Hungária kft	Hungary	HUF	131,000,000	TC	100.00	Ariston Holding N.V.	100.00		
10	Ariston Iberica S.L.	Spain	EUR	800,000	TC	100.00	Ariston Holding N.V.	100.00		
11	Ariston Kazakhstan LLP	Kazakhstan	KZT	212,100	TC	100.00	Ariston Holding N.V.	100.00		
12	Ariston Polska Sp. z o.o.	Poland	PLN	12,000,000	TC	100.00	Ariston Holding N.V.	100.00		
13	Ariston Pte Ltd	Singapore	SGD	100,000	TC	100.00	Ariston Holding N.V.	100.00		
14	Ariston S.p.A.	Italy	EUR	30,100,000	TC	100.00	Ariston Holding N.V.	100.00		
15	Ariston Sales Mexico S.A. de C.V.	Mexico	MXN	302,188,920	TC	100.00	Ariston Thermo Mexico S.A. de C.V		0.03	
							Calentadores de America S.A. de C.V.		99.97	
16	Ariston South Africa (Pty) Ltd	South Africa	ZAR	100	TC	100.00	Ariston Holding N.V.	100.00		
17	Ariston Thermo (China) Co., Ltd	China	CNY	145,885,010	TC	100.00	Ariston Holding N.V.	100.00		
18	Ariston Thermo Argentina S.r.l.	Argentina	ARS	16,705,269	TC	100.00	Ariston Holding N.V.		99.63	
							Thermowatt S.p.A.		0.37	
19	Ariston Thermo Croatia Ltd	Croatia	HRK	800,000	TC	100.00	Ariston Holding N.V.	100.00		
20	Ariston Thermo CZ sro	Czech Republic	CZK	30,000,000	TC	100.00	Ariston Holding N.V.	100.00		
21	Ariston Thermo Gulf Water Heating LLC	UAE	AED	400,000	TC	100.00	Ariston Holding N.V.	49.00		
							Third parties			51.00
22	Ariston Thermo Holding USA LLC	USA	USD	63,037,687	TC	100.00	Elcotherm AG		100.00	
23	Ariston Thermo India Private Ltd	India	INR	220,000,000	TC	100.00	Ariston Holding N.V.	99.99		
							Ariston S.p.A.		0.01	
24	Ariston Thermo Industrial Vi-etnam Ltd	Vietnam	VND	41,600,000,000	TC	100.00	Ariston Holding N.V.	100.00		
25	Ariston Thermo Isitma ve So-gutma Sistemleri Ithalat, Ihracat ve Dagitim Ltd Sirketi	Turkey	TRY	66,157,500	TC	100.00	Ariston Holding N.V.	100.00		
26	Ariston Thermo Maroc sa	Morocco	MAD	3,000,000	TC	100.00	Ariston Holding N.V.	100.00		
27	Ariston Thermo MEA SPC	Bahrain	USD	12,338,306	TC	100.00	Elcotherm AG		100.00	
28	Ariston Thermo Mexico S.A. de C.V	Mexico	MXN	2,350,000,000	TC	100.00	Elcotherm AG		99.99	
							Ariston Thermo Holding USA LLC		0.01	
29	Ariston Thermo Parts & Ser-vices S.A.	Switzerland	EUR	940.551	TC	100.00	Elcotherm AG		100.00	
30	Ariston Thermo Romania S.r.l.	Romania	RON	29,041,740	TC	100.00	Ariston Holding N.V.	100.00		
31	Ariston Thermo Rus LLC	Russia	RUB	1,403,787,727	TC	100.00	Ariston Holding N.V.	100.00		

N°	Company	Registered office	Curr.	Share capital	Business unit (*)	Group's controlling interest	Investing companies	Direct controlling interest	Subsidiaries' controlling interest	Minority interest
32	Ariston Thermo Tunisie SA	Tunisia	EUR	500,000	TC	100.00	Elcotherm AG		66.70	
							Third parties			33.30
33	Ariston Thermo UK Ltd	UK	GBP	7,500,000	TC	100.00	Ariston Holding N.V.	100.00		
34	Ariston Thermo USA LLC	USA	USD	10,275,184	TC	100.00	Ariston Thermo Holding USA LLC		100.00	
35	Ariston Thermo Vietnam Ltd	Vietnam	VND	31,471,000,000	TC	100.00	Ariston Holding N.V.	100.00		
36	Ariston Ukraine LLC	Ukraine	UAH	38,705,753	TC	100.00	Ariston Holding N.V.	100.00		
37	Atag Construction B.V.	Netherlands	EUR	1	TC	100.00	Atag Verwarming Neder-land B.V.		100.00	
38	Atag Electronics B.V.	Netherlands	EUR	1	TC	100.00	Atag Verwarming Neder-land B.V.		100.00	
39	Atag Engineering B.V.	Netherlands	EUR	1	TC	100.00	Atag Verwarming Neder-land B.V.		100.00	
40	Atag Heating B.V.	Netherlands	EUR	10,000	TC	100.00	Ariston Benelux S.A.		100.00	
41	Atag Heizungstechnik Gmbh	Germany	EUR	512,000	TC	100.00	Atag Heating B.V.		100.00	
42	Atag Verwarming Belgie B.V.BA	Belgium	EUR	18,600	TC	100.00	Atag Heating B.V.		100.00	
43	Atag Verwarming Nederland B.V.	Netherlands	EUR	18,000	TC	100.00	Atag Heating B.V.		100.00	
44	ATM1 HR S.A. de C.V.	Mexico	MXN	50,000	TC	100.00	Atag Heating B.V.		99.99	
							Elcotherm AG		0.01	
45	Atmor (Dongguan) Electronic Technology Co. Ltd	China	USD	1,000,000	TC	100.00	Atmor Electronic Tech-nology Company Ltd		100.00	
46	Atmor Electronic Technology Company Ltd	Hong Kong	HKD	10,000	TC	100.00	Atmor Industries LTD		100.00	
47	Atmor Industries Ltd	Israel	USD	1,790,409	TC	100.00	Elcotherm AG		100.00	
48	BCE S.r.l.	Italy	EUR	10,400	BUR	100.00	Ecoflam Bruciatori S.p.A.		100.00	
49	Calentadores de America S.A. de C.V.	Mexico	MXN	1,226,593,637	TC	100.00	Ariston Thermo Mexico S.A. de C.V		99.99	
							Atag Heating B.V.		0.01	
50	Chromagen Australia PTY LTD	Australia	AUD	10,358,995	TC	100.00	Elcotherm AG		51.00	
							Third parties			49.00
51	Chromagen Israel Ltd	Israel	ILS	10.901	TC	100.00	Elcotherm AG		100.00	
52	Cuenod sas	France	EUR	15,422,390	BUR	100.00	Ariston France sas		100.00	
53	Domotec AG	Switzerland	CHF	50,000	TC	100.00	Elcotherm AG		100.00	
54	Ecoflam Bruciatori S.p.A.	Italy	EUR	3,690,000	BUR	100.00	Ariston Holding N.V.	100.00		
55	Elco Austria GmbH	Austria	EUR	35,000	TC	100.00	Elcotherm AG		100.00	
56	Elco B.V.	Netherlands	EUR	2,046,004	TC	100.00	Elco Burners B.V.		100.00	
57	Elco Belgium N.V./S.A.	Belgium	EUR	2,650,000	TC	100.00	Ariston Benelux S.A.		99.99	
							Elco B.V.		0.01	
58	Elco Burners B.V.	Netherlands	EUR	22.734	BUR	100.00	Ariston Benelux S.A.		100.00	
59	Elco Burners GmbH	Germany	EUR	25,000	BUR	100.00	Elco International GmbH		100.00	
60	Elco GmbH	Germany	EUR	50,000	TC	100.00	Elco International GmbH		100.00	
61	Elco Heating Solutions Limi-ted	UK	GBP	3,001,750	TC	100.00	Ariston Themo UK Ltd		100.00	
62	Elco International GmbH	Germany	EUR	8,691,962	TC	100.00	Ariston Holding N.V.	100.00		
63	Elco Italia S.p.A.	Italy	EUR	3,500,000	TC	100.00	Ariston S.p.A.		100.00	
64	Elcotherm AG	Switzerland	CHF	1,000,000	TC	100.00	Ariston Holding N.V.	100.00		
65	Gastech-Energi A/S	Denmark	DKK	7,554,935	TC	100.00	Ariston Holding N.V.	100.00		
66	Ingrado S.r.l.	Italy	EUR	10,000	TC	100.00	Ariston Holding N.V.	100.00		
67	Kesselheld Gmbh	Germany	EUR	83,333	TC	100.00	Elco International GmbH		100.00	
68	NTI Boilers Inc	Canada	CAD	43,000,000	TC	100.00	Ariston Holding N.V.	100.00		

N°	Company	Registered office	Curr.	Share capital	Business unit (*)	Group's controlling interest	Investing companies	Direct controlling interest	Subsidiaries' controlling interest	Minority interest
69	NTI-USA Inc	USA	USD	100	TC	100.00	NTI Boilers Inc		100.00	
70	PT Ariston Thermo Indonesia	Indonesia	IDR	16,260,750,000	TC	100.00	Ariston Holding N.V.	99.99		
							Ariston Pte Ltd.		0.01	
71	Racold Thermo Private Ltd	India	INR	262,134,750	TC	100.00	Ariston Holding N.V.	99.99		
							Ariston S.p.A.		0.01	
72	S.H.E. d.o.o. Svilajnac	Serbia	RSD	35,432,220	COM	100.00	Thermowatt S.p.A.		100.00	
73	SPM Innovation sas	France	EUR	750,020	BUR	100.00	Ariston Holding N.V.	100.00		
74	Thermowatt (Wuxi) Electric Co., Ltd	China	CNY	82,769,200	COM	100.00	Ariston Thermo (China) Co., Ltd		70.00	
							Ariston Holding N.V.	30.00		
75	Thermowatt Professional S.r.l.	Italy	EUR	100,000	COM	100.00	Thermowatt S.p.A.		100.00	
76	Thermowatt S.p.A.	Italy	EUR	7,700,000	COM	100.00	Ariston Holding N.V.	100.00		

(*) Refers to the main Division

LIST OF COMPANIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

N°	Company	Registered office	Curr.	Share capital	Business unit (*)	Group's controlling interest	Investing companies	Direct controlling interest	Subsidiaries' controlling interest	Minority interest
1	Joint venture "Ariston Thermo - UTG LLC" (**)	Uzbekistan	EUR	1,000,000	TC	51.00	Ariston Holding N.V.	51.00		49.00
2	Haas Heating B.V.	Netherlands	EUR	100	TC	24.50	Atag Heating B.V.	24.50		

(**) The company was not included in the scope of consolidation because of its limited area of operation and little significance.

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Ariston Holding N.V. – Company - only Financial Statements at 31 December 2022

Ariston Holding N.V. Income Statement as at 31 December 2022

(in thousand €)	notes	2022	2021
NET TURNOVER	1.1	8,817	8,862
Other operating income	1.1	1,588	185
Total operating income		**10,405**	**9,047**
Costs of raw materials and consumables		28	9
Costs of work contracted out and other external costs	1.2	16,381	21,446
Wages and salaries	1.3	7,215	7,728
Social security charges	1.4	1,675	1,580
Amortisation of intangible fixed assets and depreciation of tangible fixed assets		582	460
Other operating expenses	1.5	2,147	1,446
Total operating expenses		**28,028**	**32,669**
Income from fixed asset investments	1.6	906	267
Other interest income and similar income	1.7	13,425	12,031
Interest expense and similar expenses	1.8	28,902	12,619
RESULTS BEFORE TAX		**-32,194**	**-23,943**
Taxes (expenses)/benefit	1.9	6,129	-9,578
Share in profit/(loss) of participation	1.10	166,324	170,057
NET RESULT AFTER TAX		**140,259**	**136,536**

The accompanying notes are an integral part of the Company Financial Statements.

Ariston Holding N.V. Statement of Financial position as at 31 December 2022

(before appropriation of results)

(in thousand €)			Notes	2022	2021
Assets					
Fixed assets					
	Intangible fixed assets				
		Goodwill	2.1	52,290	52,290
		Prepayments on intangible fixed assets	2.1	5	54
		Other intangible assets	2.1	95	68
		Total intangible fixed assets		**52,390**	**52,412**
	Tangible fixed assets				
		Land and buildings	2.2	1,586	1,079
		Other fixed operating assets	2.2	485	405
		Total tangible fixed assets		**2,071**	**1,484**
	Financial fixed assets				
		Interests in group companies	2.3	997,165	900,307
		Other participations	2.3	5,089	4,436
		Accounts receivable from participations and other participating interests	2.3	40,722	16,129
		Other investments	2.3	41	52
		Other accounts receivable	2.3	14	156
		Total financial fixed assets		**1,043,031**	**921,080**
Current assets					
	Accounts receivable				
		Trade debtors	2.4	97	44
		Shareholders and participating interests	2.4	136,667	173,620
		Other accounts receivable	2.4	44,421	10,099
		Prepayments and accrued income	2.4	2,017	1,257
		Total accounts receivable		**183,202**	**185,020**
	Cash		2.5	**678,964**	**244,117**
<u>TOTAL ASSETS</u>				**1,959,658**	**1,404,113**

Ariston Holding N.V. Statement of Financial position as at 31 December 2022

(before appropriation of results)

(in thousand €)		Notes	2022	2021
Liabilities and equity				
Equity				
	Called-up share capital	3.1	46,062	46,043
	Share premium	3.1	313,344	293,731
	Revaluation reserve	3.1	8,202	8,202
	Legal and statutory reserves	3.1		
	Legal reserves	3.1	25,318	28,263
	Reserves required under the articles of association	3.1	15,250	250
	Other reserves	3.1	231,639	213,543
	Retained earnings	3.1	229,881	151,766
	Profit/loss for the period	3.1	140,259	136,536
	Total equity		**1,009,955**	**878,334**
Provisions				
	Pensions	3.2	239	277
	Taxes	3.2	22,375	15,028
	Other	3.2	10,328	14,308
	Total provisions		**32,942**	**29,613**
Long-term debt				
	Debts to lending institutions	3.3	669,105	249,396
	Other liabilities	3.3	1,958	3,766
	Total long-term debt		**671,063**	**253,162**
Current liabilities				
	Debts to lending institutions	3.4	0	15,204
	Trade creditors	3.5	4,994	3,512
	Amounts due to shareholders and participating interests	3.6	221,527	208,823
	Taxes and social security contributions	3.7	1,601	1,739
	Other liabilities	3.8	17,551	13,712
	Accruals and deferred income		25	14
	Total current liabilities		**245,698**	**243,004**
TOTAL LIABILITES AND EQUITY			**1,959,658**	**1,404,113**

The accompanying notes are an integral part of the Company Financial Statements.

Ariston Holding N.V. Notes to the Company Financial Statements

Corporate information

Ariston Holding N.V. (hereafter also the "Company") is a Company listed in Euronext Milan, Italy, having its statutory seat in The Netherlands and enrolled in the Chamber of Commerce - KVK - of Amsterdam (CCI no. 83078738, RSIN no. 862717589, Establishment no. 000049275437, VAT Code: 01527100422, Fiscal Code 00760810572), with a secondary office in Via Broletto 44, Milano I-20121.
For purposes of its business operations in Italy, the Company established a secondary seat with a permanent representative office, within the meaning of article 2508 of the Italian Civil Code.
Ariston Holding N.V.'s primary purpose is to be a holding company and, with it, the management and coordination of a series of business processes for all the subsidiaries of the Group. The Group, with its subsidiaries, is active in the business of the production and distribution of hot water, space heating and service solutions with a cutting edge technology serving markets all around the world.
At 31 December 2022, the share capital of the Company was represented by 106,183,532 ordinary shares of € 0.01 each and by 225,000,000 multiple vote shares of € 0.20 each.
At the same date the issued share capital of the Company was held by Merloni Holding S.p.A. for 65.65%, Amaranta S.r.l. for 8.95%, the market for 24.95% and Ariston Holding N.V. (Treasury Shares) for 0.45%. Due to the presence of multiple vote shares, and not including Treasury Shares, Merloni Holding S.p.A was entitled for 74.03% of voting rights, Amaranta S.r.l. for 18.70% and the market for residual 7.27%.

The company financial statements comprise the following: income statement, statement of financial position and these notes to the financial statements.

Principal activities

In October 2020, as part of a process to reorganize and streamline the Group's corporate structure by turning the Parent Company into a holding company exclusively managing and co-ordinating its investees, it was executed the operational and industrial business unit transfer previously under the ownership of the Parent Company, Ariston Thermo Holding S.p.A., into a new entity, wholly owned by the transferor, named Ariston Thermo S.p.A.

In March 2021 the extraordinary General Meeting of Ariston Thermo Holding S.p.A. approved the reverse merger of Ariston Thermo Holding S.p.A. into the wholly owned subsidiary Ariston Thermo International S.r.l. At the same time the incorporating company became a S.p.A. company and was renamed into Ariston Thermo Holding S.p.A. From a legal point of view, the merger was completed and became effective on 1 June 2021, with tax effects backdated at 1 January 2021. From a substance perspective, it was applied the "pooling of interest method" so accounting effects were considered as if the companies involved had been merged at 1 January 2020. The operation aimed to strengthen, within the Group, the role of holding company and furtherly simplify the corporate organization, eliminating the role of sub-holding previously performed by Ariston Thermo International S.r.l. which was no longer needed.

Ariston Thermo Holding S.p.A. was then re-domiciliated in The Netherlands as Ariston Thermo Holding N.V., changing its Articles of Association and establishing its registered office in Amsterdam, effective date 15 June 2021. In September 2021 the Company changed its name in Ariston Holding N.V.

In November 2021 Ariston Holding N.V. became a listed company in Italian Stock Exchange.

Accounting policies

Basis of preparation

The 2022 Company Financial Statements represent the separate financial statements of Ariston Holding N.V. and have been prepared in accordance with the legal requirements of Title 9, Book 2 of the Dutch Civil Code. In particular, according to Section 2:362 (8) of the Dutch Civil Code, it is allowed to prepare the consolidated financial statements in accordance with the standards adopted by International Accounting Standards Board and approved by the European Commission

and to use in the separate financial statements the same policies for recognition and measurement as those used in consolidated accounts.
The accounting policies are described in a specific section, *Basis of accounting preparation*, of the Consolidated Financial Statements included in this Annual Report, while the application of combination 3 enables keeping the equity according to the company financial statement equal to the equity according to the consolidated financial statements, being the subsidiaries accounted for using the equity method in the company financial statement of Ariston Holding N.V.

Format of the financial statements

Given the activities carried out by Ariston Holding N.V., presentation of the Company Income Statement is based on the nature of revenues and expenses.
Ariston Holding N.V. financial statements are prepared in Euro, also the Company's functional currency, representing the currency in which the main transactions of the Company are denominated.
The Statements of Income and of Financial Position and Notes to the Financial Statements are presented in thousands of euro, except where otherwise stated.
As parent company, Ariston Holding N.V. has also prepared consolidated financial statements for Ariston Group for the year ended on 31 December 2022.

2022 Financial Year Overview

Regarding Ariston Group overview for the year ended on 31 December 2022, refer to paragraph *Full year 2022 conclusion and outlook* included elsewhere in this Annual Report.

Composition and principal changes

Note 1.1 – Operating income

The following table summarizes the operating income:

(in thousand €)	31.12.2022	31.12.2021
Net turnover:		
- Revenues from services	8,817	8,862
Total Net turnover	**8,817**	**8,862**
Other income	1,588	185
Total Operating Income	**10,405**	**9,047**

Revenues from services, consisting of services rendered to the principal subsidiaries of the Ariston Group, are substantially in line with amount 2021.

Other income includes the positive impact (€ 1,262 thousand) generated by the partial payment of the initial liability related to the representations and warranties foreseen in Shares Purchase Agreement for the acquisition of Danish subsidiary Gastech-Energi A/S after the Danish Court Decision. In 2021 it included grants for staff training and other recharges.

Note 1.2 – Costs of work contracted out and other external costs

Costs of work contracted out and other external costs during the year ended 31 December 2022 were of € 16,381 thousand (€ 21,446 thousand in 2021), consisting of consulting costs, costs for legal and financial services, in addition to Directors, included component from Share-based compensation plans, and Statutory Auditors' fees.
The decrease from 2021 was mainly due to the costs incurred and posted in previous year as operating expenses for the IPO process.

Note 1.3 – Wages and salaries

Wages and salaries costs during the year ended 31 December 2022 was of € 7,215 thousand (€ 7,728 thousand in 2021), included component from Share-based compensation plans. The average number of employees in 2022 was 59 (52 in 2021), based in Italy (all wholly outside the Netherlands).

	31.12.2022	Average 2022	31.12.2021	Average 2021
Executives	15	14	14	13
Managers	12	13	11	11
White collars	30	29	29	25
Blue collars	3	3	3	3
Total	**60**	**59**	**57**	**52**

Note 1.4 – Social security charges

Social security charges during the year ended 31 December 2022 were of € 1,675 thousand (€ 1,580 thousand in 2021).

Note 1.5 – Other operating expenses

Other operating expenses include provisions for employee severance indemnity and legal disputes, other personnel costs, not deductible VAT and non-periodic losses.

Note 1.6 – Income from fixed asset investments

Income from fixed asset investment relates to financial income from subsidiaries. At 31 December 2022, income from fixed asset investments was € 906 thousand (€ 267 thousand at 31 December 2021), with an increase of € 639 thousand.

(in thousand €)	31.12.2022	31.12.2021
Long-term interest income from subsidiaries	906	267
Total	**906**	**267**

Note 1.7 – Other interest income and similar income

The following table summarizes Other interest income and similar income:

(in thousand €)	31.12.2022	31.12.2021
Exchange rate gains	11,231	11,522
Interest income from bank	1,065	219
Short term interest income from subsidiaries	554	89
Interest income from cash pooling	311	157
Other financial income	264	44
Total	**13,425**	**12,031**

At 31 December 2022, exchange rate gains were € 11,231 thousand (€ 11,522 thousand at 31 December 2021). Exchange rate gains include both the monetary changes on the accounting entries that were realized at the end of the reporting period ("Realised exchange rate gains") and the monetary changes that were not yet realised because referred to transactions that were not closed at the end of the reporting period ("Unrealized exchange rate gains"). The result for the period relating to realized and unrealized exchange differences was mostly affected by the Chinese renminbi and US dollar. Exchange rate gains include € 9,031 thousand of gains on foreign currency Forward contract, resulted from transactions entered into to hedge foreign currency fluctuations.

Interest income from bank was € 1,065 thousand at 31 December 2022 (€ 219 thousand at 31 December 2021), with an increase of € 846 thousand resulting from an increase of short-term liquidity investments.

Note 1.8 – Interest expense and similar expenses

The following table summarizes Interest expense and similar expenses:

(in thousand €)	31.12.2022	31.12.2021
Exchange rate losses	20,792	5,884
Interests and other expenses due to bank	7,200	4,142
Interests due to subsidiaries	841	2,398
Other financial expense	69	195
Total	**28,902**	**12,619**

At 31 December 2022, exchange rate losses were € 20,792 thousand (€ 5,884 thousand at 31 December 2021). Exchange rate losses include both the monetary changes on the accounting entries that were realized at the end of the reporting period ("Realised exchange rate losses") and the monetary changes that were not yet realised because referred to transactions that were not closed at the end of the reporting period ("Unrealized exchange rate losses"). The result for the period relating to realized and unrealized exchange rate losses was mostly affected by the Israeli shekel and the Chinese renminbi. Exchange rate losses include € 19,170 thousand of loss on foreign currency Forward contract, resulted from transactions entered into to hedge foreign currency fluctuations.

Interests and other expenses due to bank include gains and losses on derivatives on interest rates and commodities for Group purposes.

Interests due to subsidiaries of € 841 thousand include both interests related to loans received from Ariston S.p.A. and Elco International GmbH, and cash pooling interests.

Note 1.9 – Taxes (expenses)/benefit

The following table summarizes Taxes expenses:

(in thousand €)	31.12.2022	31.12.2021
Fiscal benefit from consolidated taxation	8,000	10,400
Corporation tax expense	-626	-1,887
Tax (expense)/benefit current year	**7,374**	**8,513**
Tax (expense)/benefit previous years	1,373	-1,584
Total tax (expense)/benefit	**8,747**	**6,929**
Deferred tax (expense)/benefit	-2,618	-16,507
Total	**6,129**	**-9,578**

In 2022 income taxes were a benefit of € 8,747 thousand (a benefit of € 6,929 thousand at 31 December 2021), and refer for € 8,000 thousand to an income within the Ariston Group consolidation scheme in Italy, partially offset by withholdings on dividends from subsidiaries and for € 1,373 thousand by previous years' income tax expenses.

Deferred taxes were an expense of € 2,618 thousand (an expense of € 16,507 thousand at 31 December 2021), with a decrease of € 13,889 thousand mainly due to the change, in 2021, of the dividends policy.

Ariston Holding N.V. is incorporated in the Netherlands but is a tax resident of Italy. The reconciliation of the differences between the theoretical income taxes and the total income taxes is presented based on the Italian local corporation income tax rate in force in 2022 of 24%. A reconciliation of Ariston Holding N.V. income tax expense for the year ended as at 31 December 2022 is as follows:

(in thousand €)	31.12.2022	%
Taxes at nominal Tax Rate	**7,727**	**24.0%**
DTA write down	-1,556	-4.8%
Witholding taxes on dividends	-546	-1.7%
Permanent differences	-603	-1.9%
Italian ACE	1,200	3.7%
Prior year taxes	1,372	4.3%
Deferred taxes on und. earnings	-1,385	-4.3%
Other	-80	-0.2%
Effective Taxes Charge	**6,129**	**19.1%**

For comparative purposes, here below is shown a reconciliation of Ariston Holding N.V. income tax expense for the year ended as at 31 December 2021:

(in thousand €)	31.12.2021	%
Taxes at nominal Tax Rate	**5,747**	**24.0%**
Permanent differences	1,118	4.7%
Italian ACE	468	2.0%
Prior year taxes	-1,584	-6.6%
Deferred taxes on und. earnings	-13,440	-56.1%
Other	-1,887	-7.9%
Effective Taxes Charge	**-9.578**	**-40.0%**

Note 1.10 – Share in profit/(loss) of participations

The following table summarizes Share in profit of participations:

(in thousand €)	31.12.2022	31.12.2021
Financial value of interests in group companies	166,770	168,654
Financial value of other participations	-446	1,403
Total	**166,324**	**170,057**

Share in profit of participations relates to the valuation of Company's share in the total equity of subsidiaries and associates. In particular, financial value of interests in group companies is given for € 162,956 thousand by share in profit of participations and for € 3,814 thousand by changes in values of provision for interest in participating companies.

Note 2.1 – Intangible fixed assets

At 31 December 2022 the carrying amount of intangible fixed assets was € 52,390 thousand (€ 52,412 thousand at 31 December 2021) and related primarily to goodwill (€ 52,290 thousand).

Goodwill arises from the acquisition of subsidiaries and reflects the excess of the acquisition cost over the percentage attributable to the Company of the fair value of the subsidiaries' identifiable assets, liabilities and potential liabilities at the acquisition date (IAS 36). The goodwill is recognised as an asset and undergoes an impairment test on an annual basis, or more frequently if there are events or changes in the circumstances that may result in impairment losses.
For this purpose, the goodwill, if any, resulting at the acquisition date is allocated to each of the cash generating units (CGU) which are expected to benefit from the synergy effects deriving from the acquisition. Any loss in value is identified through valuations that are based on the capacity of each unit to produce financial flows capable of recovering the part of goodwill allocated to it, according to the methods described in the section *Impairment of assets* of the Consolidated Financial Statements included in this Annual Report.

With reference to other intangible assets, the amortisation expense for the period (€ 27 thousand) is recognised under the appropriate item in the income statement.

Details of changes of intangible fixed assets are the following:

Intangible Assets	Goodwill	Prepayments on intangible fixed assets	Other intangible assets			Total		
(in thousand €)	Net value	Gross	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2021	**52,290**	**54**	**70**	**-2**	**68**	**52,414**	**-2**	**52,412**
Increases	0	5	0	0	0	6	0	6
Decreases	0	0	0	0	0	0	0	0
Amortisation	0	0	0	-27	-27	0	-27	-27
Reclassification	0	-54	54	0	54	0	0	0
Total changes	**0**	**-49**	**54**	**-27**	**27**	**5**	**-27**	**-22**
As at 31.12.2022	**52,290**	**5**	**124**	**-29**	**95**	**52,419**	**-29**	**52,390**

Note 2.2 – Tangible fixed assets

At 31 December 2022 the carrying amount of tangible fixed assets was € 2,071 thousand (€ 1,484 thousand at 31 December 2021), out of which € 1,697 thousand (€ 1,325 thousand at 31 December 2021) related to right-of-use assets, in accordance with the standard IFRS16.
The gross value of tangible fixed assets was of € 3,144 thousand (€ 2,655 thousand at 31 December 2021) and related accumulated depreciation of € 1,073 thousand (€ 1,171 thousand at 31 December 2021).

Depreciation for the period (€ 555 thousand) is recognised under the appropriate item in the income statement.

Details of changes of tangible fixed assets are the following:

Tangible Assets	Land and buildings			Other fixed operating assets			Total		
(in thousand €)	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2021	**1,814**	**-735**	**1,079**	**841**	**-436**	**405**	**2,655**	**-1,171**	**1,484**
Increases	1,078	0	1,078	419	0	419	1,497	0	1,497
Decreases	-487	323	-164	-344	153	-191	-831	476	-355
Amortisation	0	-407	-407	0	-148	-148	0	-555	-555
Reclassification	0	0	0	-177	177	0	-177	177	0
Total changes	**591**	**-84**	**507**	**-102**	**182**	**80**	**489**	**98**	**587**
As at 31.12.2022	**2,405**	**-819**	**1,586**	**739**	**-254**	**485**	**3,144**	**-1,073**	**2,071**

Note 2.3 – Financial fixed assets

The following table summarizes the composition of financial fixed assets:

(in thousand €)	31.12.2022	31.12.2021	Change
Interests in Group companies	997,165	900,307	96,858
Other participations	5,089	4,436	653
Accounts receivable from participations and other participating interests	40,722	16,129	24,593
Other investments	41	52	-11
Other accounts receivable	14	156	-142
Total	**1,043,031**	**921,080**	**121,951**

Interests in Group companies were subject to the following changes during 2022 and 2021:

(in thousand €)	2022	2021	Change
Balance at beginning of year	**900,307**	**847,799**	**52,508**
Capital injection into subsidiaries	10	10	0
Capital reductions from subsidiaries	-51,000	-110,000	59,000
Net contributions made to subsidiaries	290	0	290
Stock based incentive plans	-423	5,805	-6,228
Dividends received from subsidiaries	-40,443	-34,170	-6,273
Share in profit of participations	162,956	166,064	-3,108
Cumulative translation adjustments and other OCI	25,468	24,799	669
Balance at end of year	**997,165**	**900,307**	**96,858**

The increase in Interests in Group companies in 2022 primarily related to the share in profit of participations of € 162,956 thousand, cumulative translation adjustments and other OCI movements of € 25,468 thousand, partially offset by share capital reimbursement for € 51,000 thousand from Ariston Benelux S.A./N.V. and dividends received from subsidiaries of € 40,443 thousand.

The increase in Interests in Group companies in 2021 primarily related to the share in profit of participations of € 166,064 thousand, cumulative translation adjustments and other OCI movements of € 24,799 thousand and stock based incentive plans of € 5,805 thousand, partially offset by share capital reimbursement for € 110,000 thousand from Ariston Benelux S.A./N.V. and dividends received from subsidiaries of € 34,170 thousand.

Accounts receivable from participations and other participating interests relates to long-term financial loans of € 40,722 thousand (€ 16,129 thousand at 31 December 2021), consisting of:

- a loan granted to Calentadores de America S.A. de C.V. of € 21,528 thousand expiring in 2024;
- a loan granted to Chromagen Israel Ltd of ILS 24,570 thousand corresponding at € 6,543 thousand expiring in 2027;
- a loan granted to Ariston Egypt LLC of € 3,880 thousand expiring in 2028;
- two loans granted to Ariston Thermo Tunisie SA for a total amount of € 3,000 thousand expiring in 2024;
- a loan granted to PT Ariston Thermo Indonesia of USD 3,000 thousand corresponding at € 2,813 thousand expiring in 2024;
- a loan granted to Ariston South Africa (Pty) Ltd of ZAR 30,000 thousand corresponding at € 1,658 thousand expiring in 2024;
- two loans granted to Ingrado S.r.l. of € 300 thousand expiring in 2024 and of € 1,000 expiring in 2025.

The interest rates are defined benchmarking the loans against comparable financial transactions between independent parties on the credit market and applying relevant criteria to enhance the comparability, as tenor, currency of denomination, the geographies, the industry of borrowing entity and credit rating.

Below the changes during the reporting period:

(in thousand €)	At 1 January 2022	Additions	Repayments	Translation differences	Reclass. from current assets	At 31 December 2022
Long-term Financial Loans	**16,129**	35,892	-13,255	-44	2,000	**40,722**

Note 2.4 – Accounts receivable

At 31 December 2022 the accounts receivable was € 183,202 thousand (€ 185,020 thousand at 31 December 2021), with a decrease of € 1,818 thousand mainly related to a decrease of shareholders and participating interests for € 36,953 thousand only partially offset by an increase of other account receivable for € 34,322 thousand; respectively due to the impact of reimbursement of the share capital reduction of Ariston Benelux S.A./N.V. of € 110,000 thousand, approved in 2021, and to an increase of derivatives financial instruments mark-to-market. The carrying amount of accounts receivables is deemed to approximate their fair value.

The following table summarizes the composition:

(in thousand €)	31.12.2022	31.12.2021	Change
Trade debtors	97	44	53
Shareholders and participating interests	136,667	173,620	-36,953
Other accounts receivable	44,421	10,099	34,322
Prepayments and accrued income	2,017	1,257	760
Total	**183,202**	**185,020**	**-1,818**

Shareholders and participating interests include: trade receivables for € 22,187 thousand (€ 22,341 thousand at 31 December 2021); corporate tax receivables to Merloni Holding S.p.A. for the domestic tax consolidation scheme of € 7,066 thousand (€ 13,327 thousand at 31 December 2021), other credits for € 54,748 thousand (€ 113,305 thousand at 31 December 2021) and financial receivables of € 52,666 thousand (€ 24,647 thousand at 31 December 2021) consisting of:

- loans granted to participating interests of € 31,020 thousand, composed of:
    - a loan granted to Ariston France sas of € 14,500 thousand;
    - a loan granted to Atag Heating B.V. of € 12,000 thousand;
    - a loan granted to Gastech-Energi A/S of DKK 12,000 thousand corresponding at € 1,614 thousand;
    - two loans granted to Atmor Industries Ltd of USD 1,000 thousand and USD 500 thousand corresponding at € 937 thousand and € 469 thousand;
    - a loan granted to Ariston Hungária kft of € 1,000 thousand;
    - a loan granted to Ariston Thermo Tunisie SA of € 500 thousand;
- credits for cash pooling of € 20,311 thousand;
- credits for derivatives financial instruments of € 1,335 thousand.

The interest rates are defined benchmarking the loans against comparable financial transactions between independent parties on the credit market and applying relevant criteria to enhance the comparability, as tenor, currency of denomination, the geographies, the industry of borrowing entity and credit rating.

Other account receivables mainly relate to:

- deferred tax assets of € 1,326 thousand (€ 2,340 thousand at 31 December 2021);
- derivatives financial instruments mark-to-market of € 34,763 thousand (€ 810 thousand at 31 December 2021), including hedges on commodities for € 740 thousand, interest rates for € 32,496 thousand and foreign exchanges for € 1,527 thousand;

- a short term financial loan granted to Chromagen ACS of ILS 11,640 thousand, corresponding at € 3,099 thousand.

Below the changes of loans granted to participating interests in the reporting period:

(in thousand €)	At 1 January 2022	Additions	Repayments	Translation differences	Reclass. to not-current assets	At 31 December 2022
Shareholders and participating interests – Loans	**2,000**	48,076	-17,000	-56	-2,000	**31,020**

Note 2.5 – Cash

At 31 December 2022, Cash was € 678,964 thousand (€ 244,117 thousand as at 31 December 2021), primarily represented by amounts held in euro. The carrying amount of Cash is deemed to be in line with its fair value.

Credit risk associated with Cash is considered limited as the counterparties are leading national and international banks.

Note 3.1 – Equity

Changes in Shareholders' equity during 2022 and 2021 were as follows:

(in thousand €)	Share Capital	Share Premium	Treasury Shares	Revaluation Reserve	Legal Reserves	Statutory Reserves	Legal Reserves: Other	Cum. Translation Adj	Stock-based incentive plans reserve	OCI and Other Reserves	Retained Earnings	Profit/Loss for the period	Total Equity
At 31 December 2020	**27,000**	**0**	**0**	**8,202**	**26,615**	**0**	**626**	**-64,542**	**0**	**246,964**	**104,965**	**96,687**	**446,517**
Allocation of prior year result											96,687	-96,687	**0**
Net profit for the year												136,536	**136,536**
Share capital increases	43,043	299,707				-42,750							**300,000**
Share capital reductions	-24,000					24,000							**0**
Current period change in translation adjustments and OCI, net of taxes								45,274		-20,831			**24,443**
Dividends											-48,268		**-48,268**
Legal reserve					1,648						-1,648		**0**
Stock-based incentive plans reserve									24,443				**24,443**
Other changes		-5,976				19,000				-18,391	30		**-5,337**
At 31 December 2021	**46,043**	**293,731**	**0**	**8,202**	**28,263**	**250**	**626**	**-19,268**	**24,443**	**207,742**	**151,766**	**136,536**	**878,334**
Allocation of prior year result											136,536	-136,536	**0**
Net profit for the year												140,259	**140,259**
Share capital increases	19	19,613							-19,632				**0**
Share capital reductions													**0**
Current period change in translation adjustments and OCI, net of taxes							23,892	5,355		14,408			**43,655**
Dividends											-46,366		**-46,366**
Legal reserve					-2,945						2,945		**0**
Stock-based incentive plans reserve									6,620				**6,620**
Acquisition of treasury shares			-12,547										**-12,547**
Conversion reserve multiple voting shares						15,000					-15,000		**0**
Other changes							-897			897			**0**
At 31 December 2022	**46,062**	**313,344**	**-12,547**	**8,202**	**25,318**	**15,250**	**23,621**	**-13,913**	**11,431**	**223,047**	**229,881**	**140,259**	**1,009,955**

Shareholders' equity increased by € 131,621 thousand in 2022, primarily due to profit for the year of € 140,259 thousand and cash flow hedge reserve increase of € 23,892 thousand, net of dividends paid to Shareholders for € 46,366 thousand and acquisition of treasury shares of € 12,547 thousand.

Shareholders' equity increased by € 431,817 thousand in 2021, primarily due to the IPO effects of € 300,000 thousand and to profit for the year of € 136,536 thousand, net of dividends paid to Shareholders for € 48,268 thousand.

Share capital

At 31 December 2022, the share capital of Ariston Holding N.V. was € 46,062 thousand, fully paid-up, and represented by 106,183,532 ordinary shares of € 0.01 each and by 225,000,000 multiple vote shares of € 0.20 each.

In 2022 the share capital was increased, debiting related stock-based incentive plans reserve, of € 19 thousand, of which € 11 thousand for the conversion in shares of the vested phantom stock options related to long-term incentive plan 2016-2018 and € 8 thousand for the conversion in shares of vested restricted share units related to long-term incentive plan 2019.

Share premium reserve

In 2022 the share premium reserve was increased, debiting related stock-based incentive plans reserve, of € 19,613 thousand, of which € 11,832 thousand for the conversion in shares of the vested phantom stock options related to long-term incentive plan 2016-2018 and € 7,781 thousand for the conversion in shares of vested restricted share units related to long-term incentive plan 2019.

Treasury shares reserve

In August 2022 Ariston Holding N.V. started a treasury shares buyback program to serve stock-based incentive plans, with a number of shares to be acquired equal to 1,500,000. The program ended at 3 November 2022 and the total amount of treasury shares at 31 December 2022 was of € 12,547 thousand.

Legal reserves

Pursuant to Dutch law, limitations exist relating to the distribution of shareholders' equity up to at least the total amount of the legal reserve.
At 31 December 2022, legal reserves amounted to € 25,318 thousand (€ 28,263 thousand at 31 December 2021), related for € 24,872 thousand to capitalized development expenditures recognised by subsidiaries (€ 27,507 thousand at 31 December 2021) and for € 446 thousand to net unrealized exchange rate gains (€ 756 thousand at 31 December 2021), in addition to Cash flow hedge reserve of € 22,995 thousand at 31 December 2022 (negative for € 897 thousand at 31 December 2021) and to Fair value adjustments reserve, of € 626 thousand at 31 December 2022 (€ 626 thousand at 31 December 2021), which have the same nature of legal reserves, even if accounted separately.

Statutory reserves

At 31 December 2022, statutory reserves amounted to € 15,250 thousand (€ 250 thousand at 31 December 2021), with an increase of € 15,000 thousand due to the amount allocated and added to the Conversion Reserve (reference is made to article 31 of the Company's articles of association), having the Company established a policy on reservations for the benefit of the Conversion Reserve.

Stock-based incentive plans reserve

Ariston Group adopted stock-based incentive plans under which a combination of restricted share units and performance share units ("PSUs"), each representing the right to receive one Ariston Holding N.V. common share, have been awarded to the Executive Directors and a selected number of Managers. In 2022 related Stock-based incentive plans reserve increased of € 6,620 thousand for the competence of the year and decreased of € 19,632 thousand following the capital increases executed in 2022 and related to LTI plans 2016-2019.

At 31 December 2022, stock-based incentive plans reserve amounted to € 11,431 thousand (€ 24,443 thousand at 31 December 2021), out of which € 7,112 thousand of restricted share units and € 4,319 thousand of performance share units, and is referred to the following plans:

- 2020: € 7,112 thousand;
- 2021: € 3,314 thousand;
- 2022: € 1,005 thousand.

Settlement of the conversion of restricted share units (plan 2020) will take place in the first half of 2023.

Note 3.2 – Provisions

At 31 December 2022, provisions were € 32,942 thousand (€ 29,613 thousand at 31 December 2021).
The following table summarizes the composition:

(in thousand €)	31.12.2022	31.12.2021	Change
Provision for employee severance indemnity	239	277	-38
Deferred tax liabilities	22,375	15,028	7,347
Provision for interest in participating companies	9,853	13,667	-3,814
Provision for risk	475	641	-165
Total	**32,942**	**29,613**	**3,329**

Provision for interest in participating companies of € 9,853 thousand is related to participations in Ariston France sas (€ 4,660 thousand), Ariston South Africa (Pty) Ltd (€ 3,284 thousand), Ariston Egypt LLC (€ 1,578 thousand) and Ariston Heating Technology Nigeria Ltd (€ 331 thousand).

The following table shows the changes occurred during the year:

Provisions *(in thousand €)*	Provision for employee severance indemnity	Deferred tax liabilities	Provision for interest in participating companies	Provision for risk	Total
As at 31.12.2021	**277**	**15,028**	**13,667**	**641**	**29,613**
Increases	389	1,648	3,701	42	5,780
Decreases	-411	-731	-7,515	-208	-8,865
Other	-16	6,430	0	0	6,414
Total changes	**-38**	**7,347**	**-3,814**	**-166**	**3,329**
As at 31.12.2022	**239**	**22,375**	**9,853**	**475**	**32,942**

Refer to consolidated financial statements for related terms and conditions.

Note 3.3 – Long-term debt

At 31 December 2022, long-term debt was € 671,063 thousand (€ 253,162 thousand at 31 December 2021), primarily composed of debts to lending institutions for € 669,105 thousand (€ 249,396 thousand at 31 December 2021).

Compared to 31 December 2021, the increase of total debt for loans was essentially attributable to new refinancing made in 2022 with a maturity of debt of 4.5.

Below the details:

(in thousand €)	Long-term debt	In 1-5 years	Over 5 years
Debts to lending institutions	669,105	249,586	419,519
Total	**669,105**	**249,586**	**419,519**

Other non-current liabilities of € 1,958 thousand (€ 3,766 thousand at 31 December 2021) are mainly related to a long-term financial lease to shareholder and participating interest.

The reduction of the period of € 1,808 thousand was mainly due to the payment of the initial liability related to the representations and warranties foreseen in Shares Purchase Agreement for the acquisition of Danish subsidiary Gastech-Energi A/S after the Danish Court Decision.

Below the changes during the reporting period:

(in thousand €)	At 1 January 2022	Additions	Repayments	Other movements	At 31 December 2022
Debts to lending institutions	**249,396**	420,000	0	-291	**669,105**
Other liabilities	**3,766**	608	-2,416	0	**1,958**
Total	**253,162**	**420,608**	**-2,416**	**-291**	**671,063**

Note 3.4 – Debts to lending institutions

The decrease of the period of € 15,204 thousand, equal to balance at 31 December 2021, was due to the decrease of debit balances on current accounts in foreign currency (US dollars and British pounds) for € 12,700 thousand and in domestic currency for € 2,504 thousand.

Note 3.5 – Trade creditors

At 31 December 2022, trade creditors were € 4,994 thousand (€ 3,512 thousand at 31 December 2021).

Trade creditors are due within one year and their carrying amount at the reporting date is deemed to approximate their fair value.

Note 3.6 – Amounts due to shareholders and participating interests

Amounts due to shareholders and participating interests of € 221,527 thousand (€ 208,823 thousand at 31 December 2021) are summarized in the table below:

(in thousand €)	31.12.2022	31.12.2021	Change
Cash pooling liabilities:			
- Ariston Benelux S.A./N.V.	0	2,401	-2,401
- Ariston Deutschland GmbH	7,006	6,946	60
- Ariston Iberica S.L.	5,358	5,045	313
- Ariston S.p.A.	77,285	0	77,285
- Cuenod sas	7,162	7,003	159
- Elco Austria GmbH	9,052	7,620	1,432
- Elco B.V.	6,971	4,478	2,493
- Elco Belgium S.A./N.V.	17	205	-188
- Elco Burners B.V.	5,329	2,907	2,422
- Elco GmbH	24,768	30,610	-5,842
- Elco International GmbH	39,093	12,583	26,510
- Elco Italia S.p.A.	10,893	0	10,893
- STV France sas	0	763	-763
- Thermowatt S.p.A.	3,834	0	3,834
Cash pooling liabilities	**196,768**	**80,561**	**116,207**
Current derivatives financial Instruments	**8,867**	**810**	**8,057**
Current financial loans:			
- Ariston Benelux S.A./N.V.	0	64,813	-64,813
- Ariston Pte Ltd	3,766	0	3,766
- Ariston S.p.A.	0	53,988	-53,988
- NTI Boilers Inc	9,028	0	9,028
Current financial loans	**12,794**	**118,801**	**-106,007**
Creditors	**1,981**	**6,980**	**-4,999**
Other debits:			
- Consolidated VAT	732	1,299	-567
- Other	385	372	13
Other debits	**1,117**	**1,671**	**-554**
Total	**221,527**	**208,823**	**12,704**

At 31 December 2022, Cash pooling liabilities consisted of € 196,768 thousand of overdraft as part of the Ariston Group's centralized treasury management, with an increase of € 116,207 thousand from 31 December 2021.
Current financial loans were composed of a loan granted by Ariston Pte Ltd of USD 4,000 thousand corresponding at € 3,766 thousand and a loan granted by NTI Boilers Inc of CAD 13,000 thousand corresponding at € 9,028 thousand.

The interest rates are defined benchmarking the loans against comparable financial transactions between independent parties on the credit market and applying relevant criteria to enhance the comparability, as tenor, currency of denomination, the geographies, the industrial of borrowing entity and credit rating.

Current derivatives financial instruments of € 8,867 thousand were related to commodities and interest rates hedging instrument recharge.

Note 3.7 – Taxes and social security contributions

Taxes and social security contributions of € 1,601 thousand were related to short term social security payable for € 921 thousand and short term other tax debts for € 680 thousand.

Note 3.8 – Other liabilities

The following table summarizes Other liabilities:

(in thousand €)	31.12.2022	31.12.2021	Change
Derivatives financial instruments	10,461	7,244	3,217
Other financial debts	3,428	1,933	1,495
Other debts	1,328	1,720	-392
Consolidated VAT	425	0	425
Current debts with employees	1,909	2,815	-906
Total	**17,551**	**13,712**	**3,839**

Current derivatives financial Instruments of € 10,461 thousand were related for € 4,842 thousand to derivative financial instruments with negative fair value at 31 December 2022. It related for € 3,507 thousand to hedging contracts and for € 1,335 thousand to non-hedging contracts (signed by Ariston Holding N.V. as parent company in the interest of the subsidiaries, with subsequent recharge of the results of these hedges to the participating companies). The remaining amount of derivatives financial instruments of € 5,619 thousand referred to financial derivatives closed but not yet paid.

Refer to paragraph *Derivatives* within the Consolidated Financial Statements included in this report for accounting treatment of derivatives financial instruments.

Other liabilities are all due within one year and their carrying amount is deemed to approximate related fair value.

Commitments and risks

The Company reported the following potential liabilities as at the end of the reporting period:

Guarantees issued

At 31 December 2022, guarantees issued were € 409,288 thousand (€ 436,434 thousand at 31 December 2021) wholly provided on behalf of Group companies.

The main guarantees outstanding at 31 December 2022, were as follows:

Group companies *(in thousand €)*	2022	2021	Change
Ariston S.p.A.	378,750	402,750	-24,000
Ariston Thermo Romania S.r.l.	8,000	8,000	0
Calentadores de America S.A. de C.V.	4,688	4,415	273
Ariston Thermo India Private Ltd	3,402	3,562	-160
Ariston Ukraine LLC	2,500	2,500	0
Ariston Sales Mexico S.A. de C.V.	1,875	1,766	109
Ariston Hungária kft	1,500	1,500	0
Racold Thermo Private Ltd	1,474	1,543	-69
Elco Heating Solutions Limited	1,466	1,547	-81
S.H.E. d.o.o. Svilajnac	1,152	854	298
Ariston Thermo Tunisie SA	1,000	1,000	0
Ariston Thermo MEA SPC	982	925	57
Ariston Thermo UK Ltd	676	714	-38
Atmor Industries Ltd	563	530	33
BCE S.r.l.	496	217	279
PT Ariston Thermo Indonesia	328	309	19
Ariston Pte Ltd	318	340	-22
Elco Italia S.p.A.	118	117	1
Ariston Thermo Rus LLC	0	3,517	-3,517
Ariston Thermo Isitma ve Sogutma Sistemleri Ithalat, Ihracat ve Dagitim Ltd Sirketi	0	328	-328
Total	**409,288**	**436,434**	**-27,146**

The decrease of € 27,146 thousand as compared to 31 December 2021 was mainly due to the guarantees on behalf of Ariston S.p.A. which had a decrease of € 24,000 thousand.

Refer to consolidated financial statements for related terms and conditions.

Commitments

The commitments outstanding at 31 December 2022, equal to € 94 thousand, referred to the equivalent value of the payments (USD 100 thousand) of additional shares in an ''Investment company in risk capital (SICAR) provision'' specialized in interventions in sectors in which the Group operates, to be carried out when they will be called up by the fund managers for the established commitment.

At 31 December 2022, there were no other commitments to be mentioned.

Audit fees

The fees for services provided by the Company's independent auditors, Ernst & Young Accountants LLP, and its member firms and/or affiliates, to the Company are broken down as follows:

(in thousand €)	31.12.2022	31.12.2021	Change
Audit fees	271	172	99
Audit-related fees	15	1,782	-1,767
Other fees	4	82	-78
Total	**290**	**2,036**	**-1,746**

Audit and audit related fees of Ernst & Young Accountants LLP, and its member firms and/or affiliates, amounted € 271 thousand (€ 172 thousand in 2021) and € 15 thousand (€ 1,782 thousand in 2021), respectively. Fees for other services amounted € 4 thousand (€ 82 thousand in 2021).

Board remuneration

Detailed information on Board of Directors compensation is included in the *Remuneration Report* section of this report.

Proposal for the appropriation of profits

The appropriation of profits will be determined in accordance with article 32 of the Articles of Association of Ariston Holding N.V.
The total amount of the dividend distributed and, consequently, the residual amount of the profits carried forward, will vary according to the number of shares entitled, and these amounts will be defined when the dividend is actually paid on the basis of the shares outstanding at the coupon detachment date.

In view of the above, it is proposed to:

- approve the financial statements for the year ending 31 December 2022;
- to allocate the profits realised during the financial year of € 140,258,509 as follows:

    i. to appropriate the amount of € 92,016 thousand (calculated on the basis of the proposal of dividend ratio below) to increase Retained Earnings reserve;
    ii. to distribute the remaining part of € 48,243 thousand (for information purposes, based on the 371,100,199 shares entitled) as dividend to be paid in the ratio of € 0.13 per share for the year 2022, gross of withholding taxes, that represents a pay-out ratio equal to 34.40%;

- to pay the above dividend on 24 May 2023 (with an ex- coupon date of 22 May 2023 in accordance with the Italian Stock Exchange calendar, and a record date of 23 May 2023).

The Board of Directors resolved to convene the Annual General Meeting on 4 May 2023.

Subsequent events

Regarding subsequent events evaluated by the Group, refer to *Subsequent events* section of this report.

March 2, 2023

The Board of Directors
Paolo Merloni
Laurent Alexis Michel Henri Jacquemin
Antonia Di Bella
Roberto Guidetti
Guido Krass
Francesco Merloni
Maria Francesca Merloni
Lorenzo Pozza
Ignazio Rocco di Torrepadula
Marinella Soldi
Enrico Vita

Other information

Additional information for Netherlands corporate governance

Independent Auditor's Report

The report of the Company's independent auditor, Ernst & Young Accountants LLP, the Netherlands, is set forth following this Annual Report.

Profits appropriation

Dividends will be determined in accordance with the article 32 of the Articles of Association of Ariston Holding N.V. The relevant provisions of the Articles of Association read as follows:

Appropriation of profits
Article 32

32.1. The Board may decide that the profits realised during a financial year are fully or partially appropriated to increase or form reserves.

32.2. The profits of the Company remaining after application of Article 32.1 shall be put at the disposal of the General Meeting. The Board shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting.

32.3. The Shareholders will share in the (profit) distribution in proportion to the aggregate number of the Shares (either Ordinary Shares, Non-Listed Ordinary Shares and/or Multiple Voting Shares) held by each of them.

32.4. The Company's policy on reserves and dividends shall be determined and can be amended by the Board.

32.5. The Company may distribute profits to Shareholders and other persons eligible to receive any share of the distributable profits only insofar as the Company's shareholders' equity, reduced by the amount of the distribution, will not be smaller than the paid-up and claimed part of the Company's shareholders' capital, increased by the reserves which must be maintained under these Articles and by Dutch law.

32.6. Profits will be distributed after confirmation of the Annual Accounts, evidencing this to be permissible.

32.7. The Company may only make interim (profit) distributions to the extent that the provisions as set out in Article 32.5 have been complied with as evidenced by an interim specification of assets and liabilities. Such interim specification of assets and liabilities will relate to the position of the equity of the Company at the earliest as at the first day of the third month prior to the month in which the resolution providing for payment is announced. It will be drawn up with due observance of valuation methods deemed acceptable under generally accepted standards. The specification of assets and liabilities will include the amounts to be allocated to the reserves in accordance with Dutch law or these Articles. It shall be signed by the Directors; if the signature of one or several of them is missing, the reason thereof shall be stated. The Company shall file the specification of assets and liabilities with the office of the Dutch trade register within eight days after the resolution to make payment available is announced.

32.8. With due observance of the provisions of Article 32.5, the General Meeting, on a proposal of the Board, may adopt resolutions for distributions to the charge of the Company's reserves that do not need to be kept pursuant to these Articles or Dutch law.

Disclosures pursuant to decree article 10 EU-Directive on takeovers

In accordance with the Dutch Takeover Directive (Article 10) Decree (*Besluit artikel overnamerichtlijn*, the "Decree"), the Company makes the following disclosures:

a) At 31 December 2022, the issued share capital of the Company consisted of 106,183,532 ordinary shares with a nominal value of € 0.01 each, representing approximately 2.31 % percent of the aggregate issued share capital, and 225,000,000 multiple voting shares with a nominal value of € 0.20 each, representing approximately 97.69% of the aggregate issued share capital. No non-listed ordinary shares were issued as at 31 December 2022.

For information on the rights attached to ordinary shares, non-listed ordinary shares and multiple voting shares, reference is made to the articles of association which can be found on the Company's website. To summarise, the rights attaching to ordinary shares, non-listed ordinary shares and multiple voting shares comprise pre-emptive rights upon the issue of shares, the right to attend to the general meetings of shareholders of the Company and to speak and vote at such meetings and to resolve on and the entitlement to the distribution of such amount of the Company's profit as remains after allocation to the reserves. Ordinary shares, non-listed ordinary shares and multiple voting shares rank *pari passu* and will have equal rights and obligations with respect to all matters, with the exceptions as set out in the articles of association including the entitlement to voting rights as set out in article 26.1 of the articles of association, the conversion reserve and the liquidation distribution referred to in article 36.3 of the articles of association.

b) The Company has imposed no limitations on the transfer of ordinary shares. Article 16 of the articles of association provide for transfer restrictions for multiple voting shares (right of first refusal). If a holder of multiple voting shares intends to transfer to any third party (be it a shareholder or not) one or more multiple voting shares, the transferor shall have the obligation, in accordance with the procedure outlined in article 16 of the articles of association, to offer a right of first refusal to the remaining holders of multiple voting shares.

c) For information on participations in the capital of the Company for which a disclosure obligation exists under Sections 5:34, 5:35 and 5:43 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), please see the section "Major shareholders" of the Corporate Governance section of this annual report. There you will find a list of shareholders who are known to the Company to have holdings of three percent or more at the stated date.

d) No special control rights or other rights accrue to shares in the capital of the Company other than that a multiple voting share confers the right to cast 20 votes, all in accordance with the terms and conditions as set out in article 26.1 of the articles of association. Reference is made to paragraph "Share capital and general meeting", subparagraph "Voting rights and adoption of resolutions" of the Corporate Governance section of this annual report.

e) A mechanism for verifying compliance with a scheme allowing employees to subscribe for or to acquire shares in the capital of the Company or a subsidiary if the employees do not arrange for such verification directly is not applicable to the Company.

f) No restrictions apply to voting rights attached to the shares in the capital of the Company, nor are there any deadlines for exercising voting rights other than the restriction of the number of votes that may be cast on multiple voting shares as set out in article 26.1 of the articles of association describing the Voting Threshold and further explained in paragraph "Share capital and general meeting", subparagraph "Voting rights and adoption of resolutions" of the Corporate Governance section of this annual report. Except by virtue of the different voting rights attached to the ordinary shares and the multiple voting shares and the application of the Voting Threshold, none of the shareholders will have any voting rights different from any other shareholders.

g) The Company is not aware of the existence of any agreements with shareholders of the Company which may result in restrictions on the transfer of shares or limitation or voting rights, other than a shareholders' agreement entered into on 26 October 2021. The shareholders' agreement provides as follows:
   (i) Merloni Holding S.p.A. shall procure that one person indicated by Amaranta S.r.l. is appointed as director so long as Amaranta S.r.l. holds at least 7% of issued share capital of the Company;
   (ii) should Merloni Holding S.p.A.:
      a. decide to sell a number of multiple voting shares so that it loses control over the Company, then Amaranta S.r.l. will be entitled to tag its multiple voting shares to the sale of multiple voting shares held by Merloni Holding S.p.A.;
      b. receive an offer for the entirety of the outstanding multiple voting shares, then Merloni Holding S.p.A. will be entitled to drag the multiple voting shares held by Amaranta S.r.l.;
   (iii) Merloni Holding S.p.A. shall be entitled to acquire from Amaranta S.r.l. 6,000,000 multiple voting shares in exchange for the same amount of ordinary shares by virtue of a call option; and
   (iv) each of Merloni Holding S.p.A. and Amaranta S.r.l. shall inform the other party in case it wishes to convert its multiple voting shares into ordinary shares.

h) The rules governing the appointment and dismissal of directors are stated in the articles of association. All directors are appointed by the general meeting. The Board nominates a candidate for each vacant seat. A nomination by the Board will be binding as described above in the section "Board". Directors are appointed for a period of time to be determined by the general meeting, ending not sooner than immediately after the general meeting held in the first year after the year of their appointment and not later than immediately after the general meeting held in the fourth year after the year of their appointment.

i) The articles of association allow the Company to cooperate in the issuance of registered depositary receipts for shares, but only pursuant to a resolution to that effect by the Board. No depositary receipts having been issued for shares in its capital with the cooperation of the Company.

The general meeting may at any time dismiss or suspend any director. If the Board proposes the dismissal of a director to the general meeting, the general meeting can resolve upon such dismissal by resolution adopted by an absolute majority of the votes cast.

If the Board has not made a proposal for the dismissal of a director, the general meeting can only resolve upon the dismissal of such director by resolution adopted by an absolute majority of the votes cast, representing more than half of the issued capital of the Company. Executive directors may at all times also be suspended by the Board. A resolution of the Board to suspend the Executive Chairman must be adopted with a majority of two thirds of the votes cast in a meeting where all directors, other than the Executive Chairman, are present or represented. If either the Board or the general meeting has resolved upon a suspension of a director, the general meeting shall within three months after the suspension has taken effect, resolve either to dismiss such director with due observance of the provisions in the articles of association, or to terminate or continue the suspension, failing which the suspension shall lapse. A resolution to continue the suspension may be adopted only once and in such event the suspension may be continued for a maximum period of three months commencing on the day that the general meeting has adopted the resolution to continue the suspension. If the general meeting has not decided to terminate or to continue the suspension within the required period, the suspension shall lapse.

The rules governing an amendment of the articles of association are included in article 35 of the articles of association and require a resolution of the general meeting, but only on a proposal by the Board. The prior approval of the meeting of holders of multiple voting shares is required for an amendment of a provision relation to the multiple voting shares and/or the rights and/or the obligations of the (meeting of) holders of multiple voting shares.

j) The general powers of the Board are stated in article 18 of the articles of association. Pursuant to article 21.1 of the articles of association, the general authority to represent the Company is vested in the Board and the Executive Chairman. The Board has granted specific representation powers to Laurent Jacquemin, in his capacity of Chief Executive Officer of the Company.

According to article 7.1 of the articles of association, the Board will be the competent corporate body to issue the shares for a period of five years with effect from 19 December 2022. The Board is also authorised to limit or exclude pre-emptive rights of shareholders on any issue of shares or granting rights to subscribe for shares, for the same term. After the five-year term, shares may be issued pursuant to a resolution of the general meeting unless the Board is designated to do so by the general meeting. Such designation can be made each time for a maximum period of five years and can be extended each time for a maximum period of five years. A designation must determine the number of shares of each class concerned which may be issued pursuant to a resolution of the Board. The resolution of the general meeting to designate the Board as the body authorised to issue shares cannot be withdrawn by the general meeting, unless otherwise provided in the authorisation. The body resolving to issue shares must determine the issue price and the other conditions of issuance in the resolution to issue. After the five- year term, pre-emptive rights may be restricted or excluded by a resolution of the general meeting. The general meeting may designate this competence to the Board for a period not exceeding five years, provided that the general meeting has also authorised the Board to issue shares. Unless otherwise stipulated at its grant, this authorisation cannot be withdrawn.

The Company is entitled to acquire fully paid-up shares in its capital. The terms and conditions for the acquisition of shares by the Company in its capital are set out in article 9 of the articles of association.

k) The Company is not a party to any significant agreements which will take effect, will be altered or will be termination upon a change of control of the Company as a result of a public offer within the meaning of section 5:70 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), provided that certain of the loan agreements entered into by the Company contain clauses that, as is customary for financing agreements of similar type, may require early repayment or termination in the event of a change of control of the Company.

The Company did not enter into any agreement with a director or employee of the Company providing for a payment upon the termination of employment as a result of a public offer within the meaning of section 5:70 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht)*.

Independent auditor's report

To: the shareholders and audit committee of Ariston Holding N.V.

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

We have audited the financial statements 2022 of Ariston Holding N.V. based in Amsterdam.

The financial statements comprise the consolidated and company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Ariston Holding N.V. as at December 31, 2022 and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Ariston Holding N.V. as at December 31, 2022 and of its result for 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at December 31, 2022
- The following statements for 2022: the consolidated income statement, the consolidated statements of other comprehensive income, changes in shareholders equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company statement of financial position as at December 31, 2022
- The company income statement for 2022
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Ariston Holding N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Ariston Holding N.V. and its subsidiaries are a global group primarily active in the business of the production and distribution of thermal comfort and water and space heating solutions. The group is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.
We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€9.5 million (2021: €8.4 million)
Benchmark applied	Approximately 5% of Pre-tax income normalized for the one-off cost relating to the flooding event.
Explanation	Users of listed entities' financial statements most often focus on earnings-based measures (generally pre-tax income). We have considered the expectations of the users of the financial statements. In this respect we determined that pre-tax income is the most appropriate measurement basis.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the audit committee that misstatements in excess of €0.48 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

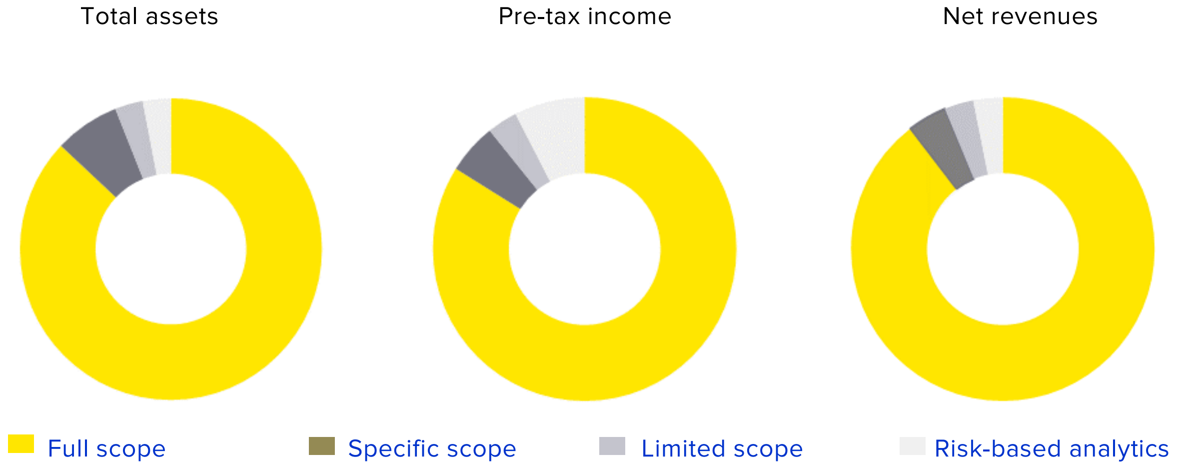
Ariston Holding N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities. Group entities are considered significant components either because of their individual financial significance or because they are likely to include significant risks of material misstatement due to their specific nature or circumstances. All group entities (of which 33 full scopes, 8 specific scopes and 12 limited scopes) were included in the scope of our group audit and 19 components have been subject to risk-based analytics.

In establishing the overall approach to the audit, we determined the type of work that is needed to be done by us, as group auditors, or by component auditors from Ernst & Young Global member firms and operating under our instructions. The group audit team audited the group consolidation and financial statements and disclosures. We combined remote working with a site visit approach and as a result were able to visit management and component auditors in Italy as here reside the most significant components. For all entities in scope, we shared detailed instructions to the component auditors and we reviewed their deliverables.

In total these procedures represent 97% of the group's total assets, 94% of pre-tax income and 93% of net revenues.



By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Teaming, use of specialists

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the heating industry. We included specialists in the areas of IT audit, forensics, sustainability, treasury and income tax and made us of our own experts in the areas of actuarial services and valuation and business modelling.

Our focus on climate-related risks and the energy transition

Climate change and the energy transition are high on the public agenda. Issues such as CO2 reduction impact financial reporting, as these issues entail risks for the business operation, the valuation of assets (''stranded assets'') and provisions or the sustainability of the business model and access to financial markets of companies with a larger CO2 footprint.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the effects of the energy transition and the Ariston's commitments and (constructive) obligations, are taken into account in estimates and significant assumptions, especially in the area of impairment of goodwill, as well as in the design of relevant internal control measures. Furthermore, we read the board report and considered whether there is any material inconsistency between the non-financial information under note 4 subsection xxi. Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, estimates or significant assumptions as at December 31, 2022.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement,
whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Ariston Holding N.V. and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the control and risk committee exercises oversight, as well as the outcomes. We refer to section
Non-Financial Disclosure of the Governance report for management's fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic and legal specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in note 4 subsection xxi.
Significant accounting judgements, estimates and assumptions to the financial statements. These risks did however not require significant auditor's attention.

The following fraud risk identified did require significant attention during our audit.

Presumed risk of fraud in revenue recognition	
Fraud risk	We presumed that there are risks of fraud in revenue recognition. We evaluated that revenues from the divisions Thermal Comfort, Burners and Components particular give rise to such risks. These three divisions consist of four revenue streams, being Professional, DIY (Do it yourself), Business-to-Business and Service. Our risk is mainly focused on revenues which are inappropriately recognized in the improper period as a result of management override of control through manual journal entries recorded at or near period end. The revenues are disclosed in note 6.1 subsection 1.1 Management discusses the risks in note 4 subsections xvi. (Revenue and income) and xxi. (Significant accounting judgements, estimates and assumptions).
Our audit approach	We describe the audit procedures responsive to the presumed risk of fraud in revenue recognition in the description of our audit approach for the key audit matter: risk of improper Revenue Recognition as a result of manual journal entries recorded at or near period end.

We considered available information and made enquiries of relevant executives, directors, legal, compliance, human resources and regional directors and the audit committee.

The fraud risk we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations
We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and we have been informed by management that there was no correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern
As disclosed in section ''Going concern'' in note 3i to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with management exercising professional judgment and maintaining professional skepticism. We considered whether management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

Based on our procedures performed, we did not identify material uncertainties about going concern.
If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the audit committee. The key audit matters are not a comprehensive reflection of all matters discussed.

In comparison with previous year, our key audit matter did not change.

Revenue Recognition as a result of management override through manual journal entries recorded at or near period end **Note 6.1 subsection 1.1 and note 4 subsection xxi.**	
Risk	We considered the following aspects as part of our assessment of fraud risk factors in regards to the three divisions Thermal Comfort (TC), Burners (BUR), and Components (COM): • High volume of sales transactions • Different revenue streams • The Year-end bonuses arrangements (YEBs) • The management adjustments on cut-off at year end • And other manual journal entries We addressed the risk that management has the intention to override controls to record primarily revenues and/or other areas impacting earnings in order to achieve its targets. Our risk is focused on revenues and other manual journal entries which are recognized in the improper period as a result of management override of controls through manual journal entries recorded at or near period end. Financial statements disclosures related to revenue recognition are reported in note 4 subsection xxi and note 6.1 subsection 1.1.

Revenue Recognition as a result of management override through manual journal entries recorded at or near period end Note 6.1 subsection 1.1 and note 4 subsection xxi.	
Our audit approach	The procedures designed to address the matter in our audit included, amongst others: • We have performed risk assessment procedures (including the assessment of key controls implemented) as part of our audit planning and included the manual journal entries in our audit scope • We have made inquiries of management • We have performed analytical review procedures and performed tests of details as to revenue recorded near or close to period end • We have performed a test of details for a sample of year-end bonus contracts to verify the proper application of the contract conditions in issuing related credit memos • We have performed tests of manual journal entries recorded to verify appropriate business rationale, and proper authorization and documentation of approval • We have verified and audited manual journal entries made by people who are entitled to the management bonus scheme (MBO) and/or long term incentive plan (LTI) to verify appropriate business rationale and documentation of approval Lastly, we assessed the adequacy, included in note 4 subsection xvi and note 6.1 subsection 1.1 of the disclosures in the explanatory notes to the consolidated financial statements.
Key observations	Based on the audit procedures performed, we did not identify inappropriate manual journal entries made nor any material misstatements in the revenue reported and concur that the disclosures in the financial statements are adequate.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The board report (which consists of the sections 2, 3, 4 and 5 of the Annual Report) for the year ending 31 December 2022
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the board report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code for the remuneration report

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code. Management and audit committee are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the general meeting as auditor of Ariston Holding N.V. on May 28, 2021, as of the audit for the year 2021 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

Ariston Holding N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion the annual report prepared in the XHTML format, including the partially marked-up consolidated financial statements as included in the reporting package by Ariston Holding N.V., complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N, ''Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument'' (assurance engagements relating to compliance with criteria for digital reporting). Our examination included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared in accordance with the technical specifications as included in the RTS on ESEF
  - Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF

Description of responsibilities regarding the financial statements

Responsibilities of management and audit committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The audit committee is responsible for overseeing the company's financial reporting process.

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The ''Information in support of our opinion'' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.
Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.
In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.
The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, March 2, 2023

Ernst & Young Accountants LLP

signed by A.M. Buijs

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