ARISTON HOLDING N.V.

(a public company with limited liability (naamloze vennootschap) governed by the laws of the Netherlands with its statutory seat (statutaire zetel) in Amsterdam, the Netherlands)

Offering of up to 89,268,292 ordinary shares and admission to listing and trading on Euronext Milan

This prospectus (the **Prospectus**) has been prepared in connection with the admission to listing and trading of the ordinary shares in the capital of Ariston Holding N.V. (the **Company**), each with a nominal value of €0.01 (the **Ordinary Shares**) on Euronext Milan (**Euronext Milan**), a regulated market organised and managed by Borsa Italiana S.p.A. (**Borsa Italiana** and such admission, the **Admission**).

The Company is offering for subscription such number of newly issued Ordinary Shares (the **New Offer Shares**), as will raise gross proceeds of approximately €300 million. Merloni Holding S.p.A. and Amaranta S.r.l. (together, the **Selling Shareholders**) are offering for sale up to 49,000,000 existing Ordinary Shares (the **Existing Offer Shares** and together with the New Offer Shares, the **Firm Offer Shares**). The Firm Offer Shares and the Over-Allotment Shares (as defined below) are referred to herein as the **Offer Shares**. The Company will not receive any proceeds from the sale of the Existing Offer Shares by the Selling Shareholders. Assuming no exercise of the Over-Allotment Option (as defined below) and an Offer Price at the bottom of the Offer Price Range (each as defined below), the Offer (as defined below) will comprise 78,268,292 Offer Shares, or 23.8% of the issued Shares (as defined below). Assuming full exercise of the Over-Allotment Option and an Offer Price at the bottom of the Offer Price Range, the Offer will comprise 89,268,292 Offer Shares, or 27.1% of the issued Shares of the Company. The Offer Shares will have lower voting rights compared to the multiple voting shares in the capital of the Company, each with a nominal value of €0.20 (the **Multiple Voting Shares** and together with the Ordinary Shares, the **Shares**).

This offering of the Offer Shares (the **Offer**) consists solely of private placements to certain institutional investors in various jurisdictions, including in the Netherlands and Italy. The Offer Shares are being offered and sold within the United States of America (the **United States** or **U.S.**), to persons reasonably believed to be qualified institutional buyers (**QIBs**) as defined in Rule 144A (**Rule 144A**) under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**) pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and outside the United States, including in the Netherlands and Italy, to institutional investors in offshore transactions in reliance upon Regulation S under the U.S. Securities Act (**Regulation S**). There will be no public offering in any jurisdiction.

Prior to consummation of the Offer and the commencement of trading on Euronext Milan, there has been no public trading market for the Ordinary Shares. The Ordinary Shares have been approved for listing on Euronext Milan under the symbol "ARIS". Application has been made to admit all of the Ordinary Shares to trading on Euronext Milan. Subject to acceleration or extension of the timetable for the Offer, trading in the Ordinary Shares on Euronext Milan is expected to commence at 09:00 Central European Time (**CET**) on or around 26 November 2021 (the **First Trading Date**). No assurance can be given that the application to admit all of the Ordinary Shares to trading on Euronext Milan will be approved.

Investing in the Ordinary Shares involves risks. See "*Risk Factors*" for a description of the risk factors that should be carefully considered before investing in the Ordinary Shares.

The price per Offer Share (the Offer Price) is expected to be in the range of €10.25 and €12.00 (inclusive) (the **Offer Price Range**)

The Offer will take place from 9:00 CET on 18 November 2021 until 12:00 CET on 24 November 2021 (the **Offer Period**), subject to acceleration or extension of the timetable for the Offer. The Offer Price Range is indicative only and may change during the course of the Offer, and the Offer Price may be set within, above or below the Offer Price Range. The Offer Price (in euro) and the exact number of Offer Shares offered in the Offer will be agreed between the Company, the Selling Shareholders and the Underwriters (as defined below) after the end of the Offer Period on the basis of the book-building process and taking into account the conditions and factors described in "*The Offer*". Among the factors to be considered in determining the Offer Price, in addition to prevailing market conditions, will be the Company's historical performance, estimates of its business potential and earnings prospects, an assessment of the Company's management and consideration of the above factors in relation to the market valuation of companies in related businesses. The Offer Price may differ significantly from prices prevailing in over-the-counter transactions and price quotations that have historically been available. See "*The Offer*" for further information.

The Offer Price, the exact number of Firm Offer Shares to be sold in the Offer and the maximum number of Over-Allotment Shares will be set out in a pricing statement (the **Pricing Statement**) that will be filed with the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the **AFM**) and announced through a press release published and posted on the Company's website (www.aristongroup.com).

The Company, the Selling Shareholders and the Underwriters reserve the right to increase or decrease the number of Offer Shares and/or to change the Offer Price Range prior to allocation of the Offer Shares (**Allocation**). Any change in the number of Offer Shares, the Offer Price Range and/or the Offer Period will be announced in a press release published and posted on the Company's website (www.aristongroup.com).

Goldman Sachs Bank Europe SE (**Goldman Sachs**), Intesa Sanpaolo S.p.A. (**IMI – Intesa Sanpaolo**) and Mediobanca – Banca di Credito Finanziario S.p.A. (**Mediobanca)** are acting as joint global coordinators and joint bookrunners (in such and any other capacity, the **Joint**

Global Coordinators) and BNP PARIBAS (**BNP PARIBAS**), BofA Securities Europe SA (**BofA Securities**), Citigroup Global Markets Europe AG (**Citigroup**) and Equita SIM S.p.A. (**Equita SIM**) are acting as joint bookrunners (together with the Joint Global Coordinators**,** the **Joint Bookrunners** or the **Underwriters**).

The Selling Shareholders have granted Mediobanca, in its capacity as stabilisation manager (the **Stabilisation Manager**) (on behalf of the Underwriters), an option (the **Over-Allotment Option**), exercisable in whole or in part during a period of 30 calendar days after the First Trading Date, pursuant to which the Stabilisation Manager (on behalf of the Underwriters) may require the Selling Shareholders to sell up to 11,000,000 additional Ordinary Shares (the **Over-Allotment Shares**) at the Offer Price, comprising up to 15% of the total number of Firm Offer Shares sold in the Offer solely for the purposes of covering over-allotments and short positions, if any, in connection with the Offer or to facilitate stabilisation transactions, if any.

Subject to acceleration or extension of the timetable for the Offer, payment (in euro) for, and delivery of, the Offer Shares (**Settlement**) is expected to take place on or around 26 November 2021 (the **Settlement Date**) through the book-entry systems of Monte Titoli S.p.A. (**Monte Titoli**).

If Settlement does not take place on the Settlement Date as planned or at all, the Offer may be withdrawn, in which case all applications for Offer Shares will be disregarded, any allocations made will be deemed not to have been made and any payments made by investors for Offer Shares will be returned (in euro) without interest or other compensation. None of the Company, the Selling Shareholders, the Underwriters, Mediobanca, in its capacity as the Company's sponsor (the **Sponsor**) and Borsa Italiana accepts any responsibility or liability towards any person as a result of the withdrawal of the Offer. For more information regarding the conditions to the Offer and the consequences of any termination or withdrawal of the Offer, see "*The Offer*".

The Offer is only made in those jurisdictions in which, and only to those persons to whom, offers and sales of the Offer Shares may lawfully be made. The Offer and the distribution of this Prospectus, any related materials and the offer, acceptance, delivery, transfer, exercise, purchase of, subscription for, or trade in, Offer Shares may be restricted by law in certain jurisdictions and therefore persons into whose possession this Prospectus comes should inform themselves and observe any restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws and regulations of any such jurisdiction. The Offer Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. There will be no public offer of the Offer Shares in the United States. Prospective purchasers are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. Each purchaser of, and subscriber for, Offer Shares, in making a purchase or subscription, will be deemed to have made certain acknowledgments, representations and agreements as set out in "*Selling and Transfer Restrictions"*. The Offer Shares are not transferrable except in accordance with the restrictions set forth under "*Selling and Transfer Restrictions*". Neither the Company, any Selling Shareholder nor any Underwriter is taking any action to permit a public offering of the Offer Shares in any jurisdiction.

This Prospectus constitutes a prospectus for the purposes of, and has been prepared in accordance with, Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (including any relevant delegated regulations), as amended (the **Prospectus Regulation**). This Prospectus has been approved as a prospectus for the purposes of Article 3(3) of the Prospectus Regulation by, and filed with, the AFM as competent authority under the Prospectus Regulation. The AFM only approves this Prospectus as meeting the standard of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus and of the Company. Investors should make their own assessment as to the suitability of investing in the Ordinary Shares. The AFM will notify the European Securities and Markets Authority (**ESMA**) and the competent authority of Italy, *Commissione Nazionale per le Società e la Borsa* (**Consob**), for passporting in accordance with Articles 24 and 25 of the Prospectus Regulation.

As the Offer consists only of private placements in the Netherlands, Italy and various other jurisdictions to institutional investors that qualify as qualified investors as defined in Article (2)(e) of the Prospectus Regulation, pursuant to Dutch law, the placements are exempted from the requirement to publish an approved prospectus that follows from Article 3(1) of the Prospectus Regulation. Therefore, this Prospectus has been approved by and filed with the AFM only in relation to Admission.

The validity of this Prospectus will expire on the earlier of (i) the First Trading Date and (ii) 12 months from the date of this Prospectus provided that it is completed by any supplement if required pursuant to Article 23 of the Prospectus Regulation. The obligation to supplement a prospectus in the event of significant new factors, material mistakes or material inaccuracies shall cease to apply when this Prospectus is no longer valid (see "*Important Information—Supplements*").

Prospective investors should read the entire document and, in particular, the section headed "*Risk Factors*", when considering an investment in the Company.

Joint Global Coordinators and Joint Bookrunners

Goldman Sachs | IMI – Intesa Sanpaolo | Mediobanca

Joint Bookrunners

BNP PARIBAS | BofA Securities | Citigroup | Equita SIM

Sponsor

Mediobanca

This Prospectus is dated 17 November 2021

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SUMMARY

Introduction and warnings

Introduction

This summary should be read as an introduction to the prospectus (the **Prospectus**) prepared in connection with the admission by Ariston Holding N.V. (the **Company**) to listing and trading of the ordinary shares in the capital of the Company, each with a nominal value of €0.01 (the **Ordinary Shares**) on Euronext Milan (**Euronext Milan**), a regulated market organised and managed by Borsa Italiana S.p.A. (**Borsa Italiana** and such admission, the **Admission**). The offering (the **Offer**) by (i) the Company of newly issued Ordinary Shares (the **New Offer Shares**) to raise gross proceeds of approximately €300 million and (ii) by Merloni Holding S.p.A. (**Merloni Holding**) and Amaranta S.r.l. (**Amaranta**, and together with Merloni Holding, the **Selling Shareholders**) of up to 49,000,000 existing Ordinary Shares (the **Existing Offer Shares** and together with the New Offer Shares, the **Firm Offer Shares**) is also described in the Prospectus. There will be no public offering in any jurisdiction. The table below shows the offering of Existing Offer Shares by the Selling Shareholders assuming an Offer Price at the bottom of the Offer Price Range (each as defined below).

	No Over-Allotment Option Exercise	Full Over-Allotment Option Exercise
	Number of Existing Offer Shares Sold	Number of Existing Offer Shares Sold
Merloni Holding	43,120,000	52,800,000
Amaranta	5,880,000	7,200,000
Total	**49,000,000**	**60,000,000**

The Company's statutory seat (*statutaire zetel*) is in Amsterdam, the Netherlands, and its registered office is at Via Broletto 44, 20121 Milan, Italy. The Company is registered with the Dutch trade register under number 83078738. The Company's telephone number is +390285672267. The Company's Legal Entity Identifier (**LEI**) is 815600CC86D25A205563. The Ordinary Shares' International Security Identification Number (**ISIN**) is NL0015000N33.

The Prospectus was approved as a prospectus for the purposes of Article 3(3) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (including any relevant delegated regulations), as amended (the **Prospectus Regulation**) by, and filed with, the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the **AFM**), as a competent authority under the Prospectus Regulation, on 17 November 2021. The AFM will notify the European Securities and Markets Authority and the competent authority of Italy, *Commissione Nazionale per le Società e la Borsa*, for passporting in accordance with Articles 24 and 25 of the Prospectus Regulation.

As the Offer consists only of private placements in the Netherlands, Italy and various other jurisdictions to certain institutional investors that qualify as qualified investors as defined in Article (2)(e) of the Prospectus Regulation, pursuant to Dutch law, the placements are exempted from the requirement to publish an approved prospectus that follows from Article 3(1) of the Prospectus Regulation. Therefore, the Prospectus has been approved by and filed with the AFM only in relation to Admission.

The AFM's registered office is at Vijzelgracht 50, 1017 HS Amsterdam, the Netherlands and its telephone number is +31 (0)20 797 2000.

Warnings

Any decision to invest in any Ordinary Shares should be based on a consideration of the Prospectus as a whole by the investor and not just the summary. An investor could lose all or part of the invested capital. Where a claim relating to the information contained in, or incorporated by reference into, the Prospectus is brought before a court, the plaintiff investor might, under the national law of the member states of the European Economic Area, have to bear the costs of translating the Prospectus and any documents incorporated by reference therein before the legal proceedings can be initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Ordinary Shares.

Key information on the Company

Who is the issuer of the Ordinary Shares?

Domicile, legal form, LEI, legislation and country of incorporation. The Company is a public company with limited liability (*naamloze vennootschap*) governed by and operating under the laws of the Netherlands. The Company's statutory seat (*statutaire zetel*) is in Amsterdam, the Netherlands, and its registered office is at Via Broletto 44, 20121 Milan, Italy. The Company is registered with the Dutch trade register under number 83078738. The Company's telephone number is +390285672267. The Company's Legal Entity Identifier (**LEI**) is 815600CC86D25A205563. The Company operates under the laws of the Netherlands, is tax resident in Italy and its place of effective management is in Italy.

Principal activities. The Company and its consolidated subsidiaries (the **Group**) is a global provider of sustainable comfort solutions for hot water and space heating. The Group sells its products in approximately 150 countries, 42 of which the Group operates directly in, through 70 operating companies and six representative offices. The Group believes its heritage global brand, Ariston, its global brand Elco, as well as strong local brands, including ATAG, Racold, American Standard and Calorex, are trusted by industry professionals and end-users alike and are closely associated with heating and hot water around the world. The Group operates through three divisions: Thermal Comfort, Components and Burners. Thermal Comfort, which is by far the largest division, serves the Hot Water and Heating product categories via its centrally managed operations responsible for the product development, research and development, and the coordination of supply chain and procurement. Components, focuses on water heating elements and thermostats. Burners delivers products and solutions to supply the B2B heating needs with commercial, process and industrial applications.

Share capital. As at the date of the Prospectus, the Company's share capital comprises Ordinary Shares and multiple voting shares (the **Multiple Voting Shares** and together with the Ordinary Shares, the **Shares**). As at the Settlement Date (as defined below), the Company's authorised share capital will comprise 600,000,000 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. The Ordinary Shares' ISIN is NL0015000N33.

Major shareholders. As at the date of the Prospectus, Merloni Holding (holding 66,000,000 Ordinary Shares and 198,000,000 Multiple Voting Shares, representing 88% of the issued share capital and voting rights) and Amaranta (holding 9,000,000 Ordinary Shares and 27,000,000 Multiple Voting Shares, representing 12% of the issued share capital and voting rights) have a substantial shareholding in the Company within the meaning of Chapter 5.3 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the **Dutch FSA**). Merloni Holding will have a controlling interest in the Company. Merloni Holding is controlled by Paolo Merloni, who is the executive chair of the Company, and Amaranta is controlled by Maria Francesca Merloni, who is a non-executive director of the Company. Paolo Merloni and Maria Francesca Merloni are siblings.

Anti-takeover measures. Under Dutch law, various protective measures are possible and permissible within the boundaries set by Dutch law and Dutch case law. Dutch law does not contain anti-takeover measures that are applicable by operation of law. The Company's share structure consists of Ordinary Shares and Multiple Voting Shares. Each Ordinary Share confers a right to cast one vote at the general meeting (*algemene vergadering*) of the Company and each Multiple Voting Share confers the right to cast twenty votes, such that the maximum number of voting rights to be cast by a shareholder will be the greater of (a) two times the total number of Ordinary Shares issued and outstanding at the record date of a General Meeting and (b) nine times the total number of 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 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 (the **Voting Limitation**). This dual-share class structure and the binding nomination structure for the appointment of directors may be perceived as an anti-takeover provision. Other than this, the Company has not incorporated any anti-takeover measures in its articles of association.

Executive directors. Paolo Merloni is the executive chair and Laurent Jacquemin is the chief executive officer.

Independent auditor. Ernst & Young Accountants LLP is the independent auditor of the Company.

What is the key financial information regarding the Company

Selected financial information. The following tables set forth the Group's selected consolidated income statement, selected consolidated statement of financial position and selected consolidated statement of cash flows and other financial data as at the dates and for the periods indicated. The (i) selected consolidated financial information as at and for the years ended 31 December 2020, 2019 and 2018 has been derived from the English translation of the audited consolidated financial statements as at and for the years ended 31 December 2020, 2019 and 2018 of Ariston Thermo Holding S.p.A. (old), the Company's predecessor, beginning on page F-37 of the Prospectus (the **Annual Financial Statements**) and (ii) selected consolidated financial information as at and for the nine months ended 30 September 2021 has been derived from the unaudited condensed consolidated interim financial statements as at and for the nine months ended 30 September 2021 of the Company beginning on page F-2 of the Prospectus (the **Interim Financial Statements**).

Consolidated income statement

	Year ended 31 December			Nine months ended 30 September	
	2020	2019	2018	2021 (Unaudited)	2020 (Unaudited)
	(in millions of euros unless otherwise indicated)				
Revenue	1,664	1,710	1,612	1,412	1,130
Operating profit	149	134	127	123	75
Net profit for the period	97	89	82	113	46
Year on year revenue growth	(2.7)%	6.1%	n.a.	25%	n.a.
Operating profit margin (EBIT Margin)	9.0%	7.9%	7.9%	8.7%	6.7%
Net profit margin	5.8%	5.2%	5.1%	8.0%	4.1%

Earnings net per share (in unit of Euro) [(1)]	0.32	0.30	0.27	0.38	0.15

[(1)] The number of Shares in 2020, 2019 and 2018 are restated to reflect the 300,000,000 Shares outstanding following the restructuring in 2021 (see "*Description of Share Capital and Corporate Structure—Restructuring*").

Consolidated statement of the financial position

	As at 31 December			As at 30 September
	2020	**2019**	**2018**	**2021 (Unaudited)**
	(*in millions of euros unless otherwise indicated*)			
Total assets	1,813	1,736	1,566	1,968
Total Equity	447	522	464	531
Net Financial Indebtedness	176	219	171	177

Consolidated statement of cash flows

	Year ended 31 December			Nine months ended 30 September	
	2020	**2019**	**2018**	**2021 (Unaudited)**	**2020 (Unaudited**
	(*in millions of euros*)				
A. Net cash flow from operating activities	251	194	124	102	92
B. Net cash flow from investing activities	(84)	(222)	(99)	(42)	(41)
C. Net cash flow from financing activities	(17)	27	(44)	(136)	262
D. Total cash flow (A+B+C)	**150**	**(1)**	**(18)**	**(76)**	**313**
E. Cash and cash equivalents at the beginning of the period	296	291	310	431	296
F. Effect of changes in exchange rates	(15)	4	(1)	11	(14)
G. Cash and cash equivalents at the end of the period	431	296	291	365	595
H. Changes cash and cash equivalents (G-F-E)	**150**	**(1)**	**(18)**	**(76)**	**313**

Non-IFRS financial information. The non-IFRS financial measures (**Non-IFRS Measures**) set out in the table below are not recognised measures of financial performance under the International Financial Reporting Standards as adopted by the European Union (**IFRS**) and have not been audited or reviewed. These Non-IFRS Measures are presented because they are used by management to monitor the performance of the business and operations. These measures also provide additional information to investors to enhance their understanding of the Group's results.

	As at and for the year ended 31 December			As at and for the nine months ended 30 September	
	2020	**2019**	**2018**	**2021**	**2020**
	(Unaudited) (*in millions of euros unless otherwise indicated*)				
EBITDA	227	209	195	179	133
Adjusted EBITDA	239	223	202	191	141
EBITDA Margin	13.6%	12.2%	12.1%	12.7%	11.8%
Adjusted EBITDA Margin	14.4%	13.0%	12.5%	13.5%	12.5%
EBIT	149	134	127	123	75
Adjusted EBIT	164	149	134	136	84
EBIT Margin	9.0%	7.9%	7.9%	8.7%	6.7%
Adjusted EBIT Margin	9.8%	8.7%	8.3%	9.6%	7.5%
Adjusted Net Result	107	102	88	100	53
Net Working Capital	129	182	177	182	-
Working Capital Turnover	7.8%	10.5%	10.9%	12.9%	-
Net Financial Indebtedness [(1)]	176	219	171	177	-
Net Financial Position	144	167	98	139	-
Free Cash Flow	186	111	23	38	53
Net Employed Capital	590	689	562	670	-
ROE (Net Result/Total Equity)	21.7%	17.3%	17.6%	21.3%	-
ROI (EBIT/Net employed capital)	25.3%	20.2%	22.6%	18.3%	-
Adjusted ROI (Adjusted EBIT/Net employed capital)	27.8%	22.3%	24.0%	20.3%	-
ROS (EBIT/Revenue)	9.0%	7.9%	7.9%	8.7%	6.7%
Adjusted ROS (Adjusted EBIT/Revenue)	9.9%	8.7%	8.3%	9.6%	7.5%

Cash Conversion	81.2%	77.1%	69.3%	79.7%	87.5%

(1) Calculated based on ESMA recommendations 32-382-1138 issued on 4 March 2021.

The Annual Financial Statements have been audited by EY S.p.A. (EY Italy). The Interim Financial Statements have been reviewed by EY Italy. EY Italy's registered office is Via Lombardia 31, 00187 Rome, Italy, and it is registered under No. 70954 in the Register of Accountancy Auditors (*Registro dei Revisori Legali*) held by the Italian Ministry of Economy and Finance in compliance with the provision of Legislative Decree No. 39, January 27, 2010. EY Italy has issued unqualified independent auditor's reports on the Annual Financial Statements.

The independent auditor's report on the separate financial statements of the Company as at and for the year ended 31 December 2020 is unqualified and contains the following emphasis of matter paragraph: "We draw attention to the introductory paragraph "General" of the explanatory notes to the financial statements, where directors describe the effects of the company branches' contributions and their accounting effects on the separate financial statements as at and for the year ended 31 December 2020. Our opinion is not modified in respect of this matter.".

Other key financial information. No pro forma financial information or profit forecast has been included in the Prospectus.

What are the key risks that are specific to the Company

Any investment in the Offer Shares (as defined below) is associated with risks. Prior to any investment decision, it is important to carefully analyse the risk factors considered material to the future development of the Group and the Offer Shares. The following is a summary of key risks that, alone or in combination with other events or circumstances, could have a significant negative impact on the Group's business, financial condition, results of operations and prospects. In making the selection, the Group has considered circumstances such as the probability of the risk materialising on the basis of the current state of affairs, the potential impact which the materialisation of the risk could have on the Group's business, financial condition, results of operations and prospects, and the attention that management would, on the basis of current expectations, have to devote to these risks if they were to materialise:

- The Group depends on its ability to develop and maintain a product offering on pace with changes in customer demand and preferences.
- The Group depends on its ability to maintain the quality of its products and processes and to develop and manufacture new products.
- The Group faces intense competition and its competitive position may deteriorate.
- The Group depends on certain key raw materials and components to produce its products, 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 acquisitions and divestments.
- The Group may not be able to successfully manage future growth.
- The Group depends on the efficient and uninterrupted operations of its information and communication technology and its ability to successfully manage increasing cybersecurity risks.
- Currency exchange rate fluctuations may have a significant impact on the Group's reported revenue, cash flows and earnings.
- The Group is subject to risks from legal and tax proceedings.
- The Group's products, services and know-how may not be fully protected by its intellectual property rights, which may be infringed or challenged by third parties, and the Group may infringe third parties' intellectual property rights or be faced with claims regarding infringement with regard to the use of intellectual property.
- Changes to governmental regulations that could require the Group to modify its current business practices, incur increased costs and subject it to potential liabilities, could have a material and adverse effect on the Group's business, financial position or results of operations.
- 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 is subject to taxation in multiple jurisdictions which often requires subjective interpretation and determinations and could expand into jurisdictions with less favourable 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.

Key information on the Ordinary Shares

What are the main features of the Ordinary Shares?

Type, class and ISIN. The Ordinary Shares are ordinary shares in the share capital of the Company, each with a nominal value of €0.01. The Ordinary Shares are denominated in and will trade in euro on Euronext Milan. The Ordinary Shares' ISIN is NL0015000N33.

Rights attached to the Ordinary Shares. The Ordinary Shares will rank *pari passu* in all respects with each other. Holders of Ordinary Shares will be entitled to receive dividends or other distributions declared, made or paid on them, if any. Each Ordinary Share carries distribution rights and entitles its holder to attend and to cast one vote at the general meeting (*algemene vergadering*) of the Company and each Multiple Voting Share confers the right to cast twenty votes. There are no restrictions on voting rights attaching to the Ordinary Shares. In respect of an issuance of only Ordinary Shares, each holder of Ordinary Shares and Multiple Voting Shares will have a right of pre-emption proportionate to the aggregate number of his Shares (relative to the entire issued share capital), subject to the relevant limitations prescribed by law and the other provisions pursuant to the Company's articles of association. Such a pre-emptive right may, however, be excluded or limited and the Company's board has been granted the authority to do so for a period of five years following the Settlement Date.

Dissolution and liquidation. If the Company is dissolved or liquidated, the Company's assets shall be paid to secured creditors, preferential creditors (including tax and social security authorities) and unsecured creditors, in that order. The balance of the Company's assets remaining after all liabilities have been paid, if any, shall first be applied for the payment to any holders of Ordinary Shares of the part of the nominal value and share premium paid on their Ordinary Shares. Second, it shall be applied to the holders of Multiple Voting Shares of the part of the nominal value paid on their Multiple Voting Shares. Any remaining balance shall be transferred to the holders of Ordinary Shares in proportion to the aggregate number of the Ordinary Shares held by each of them.

Restrictions on free transferability of the Ordinary Shares. There are no restrictions under the Company's articles of association, including as they will be in effect following amendment effective as of the Settlement Date (immediately prior to Settlement), or under Dutch law that limit the right of shareholders to hold Ordinary Shares. The transfer of Ordinary Shares to persons who are located or resident in, or who are citizens of, or who have a registered address in jurisdictions other than the Netherlands may, however, be subject to specific regulations and/or restrictions according to their securities laws.

Dividend policy. Subject to the limitations described herein, the Company is targeting a dividend pay-out ratio of approximately 33% of the Group's net profit attributable to shareholders in the immediately preceding financial year. The ability and intention of the Company to declare and pay dividends in the future will mainly depend on its financial position, results of operations, investment prospects, the existence of distributable reserves and available liquidity and such other factors as the Company's board may deem relevant.

Where will the Ordinary Shares be traded?

Application. Prior to consummation of the Offer and the commencement of trading on Euronext Milan, there has been no public trading market for the Ordinary Shares. The Ordinary Shares have been approved for listing on Euronext Milan under the symbol "ARIS". Application has been made to admit all of the Ordinary Shares to trading on Euronext Milan. Subject to acceleration or extension of the timetable for the Offer, trading in the Ordinary Shares on Euronext Milan is expected to commence at 09:00 Central European Time (CET) on or around 26 November 2021 (the **First Trading Date**). No assurance can be given that the application to admit all of the Ordinary Shares to trading on Euronext Milan will be approved.

What are the key risks that are specific to the Ordinary Shares?

The key risks relating to the Offer and the Ordinary Shares include:

- As a result of the Company's dual-class share structure with different voting rights, the controlling shareholder – Merloni Holding S.p.A.– will be in a position to exert substantial influence over the Company.
- The payment of any future dividends. will depend on the Group's financial condition and results of operations as well as on the Company's operating subsidiaries' distributions to the Company.

Key information on the Offer and the Admission

Under which conditions and timetable can I invest in the Ordinary Shares?

Offer. The Company is offering such a number of New Offer Shares as will raise gross proceeds of approximately €300 million and the Selling Shareholders are offering up to 49,000,000 Existing Offer Shares (which exclude any Over-Allotment Shares).

Over-Allotment Option. The Selling Shareholders have granted Mediobanca in its capacity as Stabilisation Manager (as defined below), on behalf of the Underwriters (as defined below) an option (the **Over-Allotment Option**), exercisable in whole or in part during a period of 30 calendar days after the First Trading Date, pursuant to which the Stabilisation Manager (on behalf of the Underwriters) may require the Selling Shareholders to sell up to 11,000,000 additional Ordinary Shares (the **Over-Allotment Shares** and together with the Firm Shares, the **Offer Shares**) at the offer price per Offer Share (the **Offer Price**), comprising up to 15% of the aggregate number of Firm Offer Shares sold in the Offer, solely for the purposes of covering over-allotments or short positions, and stabilisation activity if any, in connection with the Offer. Assuming no exercise of the Over-Allotment Option and an Offer Price at the bottom of the Offer Price Range, the Offer Shares will constitute approximately 23.8% of the issued Shares. Assuming the Over-Allotment Option is fully exercised and an Offer Price at the bottom of the Offer Price Range, the Offer Shares will constitute not more than approximately 27.1% of the issued Shares.

Jurisdictions. The Offer consists solely of private placements to certain institutional investors in various jurisdictions, including the Netherlands and Italy. The Offer Shares are being offered and sold (i) within the United States of America (**United States**

or **U.S.**) to persons reasonable believed to be qualified institutional buyers as defined in Rule 144A (**Rule 144A**) under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**), pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws, and (ii) outside the United States, in accordance with Regulation S under the U.S. Securities Act. The Offer is made only in those jurisdictions in which, and only to those persons to whom, the Offer may be lawfully made. There will be no public offering in any jurisdiction.

Timetable. Subject to acceleration or extension of the timetable by the Company and the Selling Shareholders, after consultation with the Joint Global Coordinators (as defined below), for, or withdrawal of, the Offer, the timetable below lists the expected key dates for the Offer.

Event	Date (2021) (Time (CET))
Start of the offer period (the **Offer Period**)	18 November 2021 (9:00)
End of the Offer Period	24 November 2021 (12:00)
Pricing and allocation	24 November 2021
Settlement (payment and delivery) and First Trading Date on Euronext Milan	26 November 2021

The Company and the Selling Shareholders, after consultation with the Joint Global Coordinators, reserve the right to accelerate or extend the Offer Period, pricing, allocation, admission and first trading of the Ordinary Shares, as well as payment (in euro) for and delivery of the Offer Shares may be advanced or extended accordingly.

Offer Price, Offer Price Range and number of Offer Shares. The Offer Price is expected to be in the range of €10.25 to €12.00 (inclusive) per Offer Share (the **Offer Price Range**). The Offer Price may be set within, above or below the Offer Price Range. The Offer Price Range is indicative only and may be changed. The maximum number of Offer Shares may be increased or decreased prior to the allocation of the Offer Shares. The Offer Price and the exact number of Offer Shares (including the maximum number of Over-Allotment Shares) will be agreed between the Company, the Selling Shareholders and the Underwriters (as defined below) after the end of the Offer Period on the basis of a book building process, and will be stated in the pricing statement that will be published through a press release that will also be posted on the Company's website (www.aristongroup.com) and filed with the AFM.

Allocation. Allocation of the Offer Shares to investors is expected to take place after the closing of the Offer Period on or around 24 November 2021, subject to acceleration or extension of the timetable for the Offer. Full discretion will be exercised as to whether or not and how to allot the Offer Shares. There is no maximum or minimum number of Offer Shares for which prospective investors may apply and multiple applications to purchase, or subscribe for, Offer Shares are permitted. In the event that the Offer is over-subscribed, investors may receive fewer Offer Shares than they applied for.

Payment and delivery. Payment (in euro) for and delivery of the Offer Shares (**Settlement**) will take place on the date of settlement, which is expected to be 26 November 2021 (the **Settlement Date**). Taxes and expenses, if any, must be borne by the investor. Investors must pay the Offer Price in immediately available funds in full in euro on or before the Settlement Date (or earlier in the case of an early closing of the Offer Period and consequent acceleration of pricing, allocation, commencement of trading and Settlement). The Offer Shares will be delivered in book-entry form through the facilities of Monte Titoli. If Settlement does not take place on the Settlement Date as planned or at all, the Offer may be withdrawn, in which case all applications for Offer Shares will be disregarded, any allocations made will be deemed not to have been made and any payments made will be returned without interests or other compensation. Any dealings in Ordinary Shares prior to Settlement are the sole risk of the parties concerned.

Joint Global Coordinators and Joint Bookrunners. Goldman Sachs Bank Europe SE, Intesa Sanpaolo S.p.A. and Mediobanca – Banca di Credito Finanziario S.p.A. (**Mediobanca**) are the joint global coordinators for the Offer (the **Joint Global Coordinators**) and, together with BNP PARIBAS, BofA Securities Europe SA, Citigroup Global Markets Europe AG and Equita SIM S.p.A., the joint bookrunners for the Offer (together with the Joint Global Coordinators, the **Joint Bookrunners** or the **Underwriters**).

Sponsor. Mediobanca is the sponsor with respect to the admission to listing and trading of the Ordinary Shares on Euronext Milan.

Stabilisation Manager. Mediobanca is the stabilisation manager for the Offer (the **Stabilisation Manager**).

Dilution. The issue of the New Offer Shares will result in a maximum dilution of voting interests of shareholders of the Company of 1.01% (as a result of the Voting Limitation and assuming an Offer Price at the bottom of the Offer Price Range and no exercise of the Over-Allotment Option).

Estimated expenses. Based on an Offer Price at the mid-point of the Offer Price Range and assuming the sale of the maximum number of Offer Shares and no exercise of the Over-Allotment Option, the expenses, commission and taxes related to the Offer and Admission payable by the Company are estimated at approximately €25 million.

Who is the offeror and/or the person asking for Admission?

The Company is offering the New Offer Shares and asking for Admission. The Company is a public company with limited liability (*naamloze vennootschap*) with its statutory seat (*statutaire zetel*) in Amsterdam, the Netherlands and operating under the laws of the Netherlands. The Company's LEI is 815600CC86D25A205563 and its trade register number is 83078738. The Existing Offer Shares and Over-Allotment Shares (if any) are being offered by the Selling Shareholders.

Why is the Prospectus being produced?

Reasons for the Offer and Admission. With the Admission, the Company will be able to raise capital to support and develop further growth, invest and accelerate its organic growth – such as digital route to market, technologies and industrial footprint – and to finance acquisitions of businesses, technologies and intellectual property rights in the future. The key drivers for acquisitions are access to new markets and consolidation of new businesses with existing businesses in existing markets and access to new technology and services. The Admission will also further enhance the Company's profile and brand recognition and aims to permit the Group to continue to attract talented individuals to join the Group in the future. In addition, the Offer provides the Selling Shareholders with an opportunity to partially realise their investment in the Company.

Net proceeds. The Company will not receive any proceeds from the sale of the Existing Offer Shares and/or the sale of any Over-Allotment Shares by the Selling Shareholders, the proceeds of which will be received by the Selling Shareholders. The Company will receive proceeds from the sale of the New Offer Shares. The Company expects the net proceeds from the Offer, after deduction of expenses, commissions and taxes for the Offer and Admission payable by the Company (estimated to amount to approximately €25 million), to amount to approximately €275 million. The underwriting commissions due to the Underwriters will be borne by the Company and the Selling Shareholders *pro rata* to the Offer Shares sold by them in the Offer. The other expenses, commissions and taxes related to the Offer and Admission will be borne by the Company. The Company intends to use the net proceeds from the issue of the New Offer Shares to support and develop further growth, invest and accelerate the organic growth of the Group and to finance acquisitions of businesses, technologies and intellectual property rights in the future.

Underwriting agreement. The Company, the Selling Shareholders and the Underwriters entered into an underwriting agreement on 17 November 2021 with respect to the Offer and sale of the Offer Shares (the **Underwriting Agreement**). Pursuant to the terms of and subject to the conditions set forth in the Underwriting Agreement, the Company has agreed to issue the New Offer Shares, the Selling Shareholders have agreed to sell the Existing Offer Shares at the Offer Price to subscribers and purchasers procured by the Underwriters or, failing which, to the Underwriters themselves. The Underwriting Agreement provides that the obligations of the Underwriters to use reasonable endeavours to procure subscribers and purchasers for the Offer Shares (failing which to purchase or subscribe for the Firm Offer Shares themselves) are subject to entering into a pricing memorandum with the Company and the Selling Shareholders as well as the following conditions precedent (among others): (i) receipt of opinions on certain legal matters from legal counsel, (ii) receipt of customary officers' certificates, (iii) the AFM's approval of the Prospectus and the passporting of the Prospectus being in full force and effect, (iv) the admission of the Ordinary Shares to listing and to trading on Euronext Milan occurring no later than 8:00 CET on the First Trading Date and (v) other customary conditions, including in respect of the accuracy of representations and warranties by the Company, the Selling Shareholders and each of the Company and the Selling Shareholders having complied with the terms of the Underwriting Agreement. The Underwriters have the right to waive some conditions in whole or part. Upon the occurrence of specific events, such as any of the conditions precedent not being satisfied or waived, the Underwriters may elect to terminate the Underwriting Agreement.

Material conflicts of interest pertaining to the Offer and the Admission. The Underwriters receive commissions *pro rata* to the Offer Shares sold by them in the Offer. In addition, Mediobanca acts as Sponsor in connection with the listing of the Ordinary Shares on Euronext Milan and will receive commissions in relation to the services as Sponsor. Certain of the Underwriters and/or their respective affiliates, subsidiaries and or group company (including their respective parent companies), are full service securities firm and commercial bank engaged in various activities and businesses and have in the past engaged, and may in the future, from time to time, engage in commercial banking, investment banking, financial advisory, lending transactions and/or ancillary activities in the ordinary course of their business with the Group, the Selling Shareholders, the other parties directly or indirectly involved in the Offer and/or their respective shareholders and/or subsidiaries and or any parties related to or competing with any of them, in respect of which they have received, and may in the future receive, customary fees and commissions. Additionally, the Underwriters may, in the ordinary course of their business, in the future hold the Company's securities for investment. Accordingly, in no circumstance shall any Underwriter or their respective affiliates, subsidiaries and or group company (including their respective parent companies) have any liability by reason of members of the group conducting such other businesses or activities, acting in their own interests or in the interests of other clients in respect of matters affecting the Issuer, the Selling Shareholders or their respective affiliates or any other company, including where, in so acting, these parties may have interests that may not be aligned, or could possibly conflict with the interests of investors or of the Company or the Selling Shareholders or the Group.

RISK FACTORS

Before investing in the Offer Shares, prospective investors should carefully consider the risks and uncertainties described below, together with the other information contained or incorporated by reference in this Prospectus. The occurrence of any of the events or circumstances described in these risk factors, individually or together with other circumstances, may have a significant negative impact on the Company and its subsidiaries' (together, the ***Group****) business, results of operations, financial condition and prospects. The price of the Offer Shares could decline, and an investor might lose part or all of their investment upon the occurrence of any such event.*

All of these risk factors and events are contingencies which may or may not occur. The Group may face a number of these risks described below simultaneously, and one or more risks described below may be interdependent. Although the most material risk factors have been presented first within each category, the order in which the remaining risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks, or of the scope of any potential negative impact to the Group's business, results of operations, financial condition and prospects. While the risk factors below have been divided into categories and the Group has included each risk in the most appropriate category, some risk factors could belong in more than one category and prospective investors should carefully consider all of the risk factors set out in this section.

Although the Group believes that the risks described below are the material risks concerning the Group's business and industry, and the Offer Shares, they are not the only risks relating to the Group and the Offer Shares. Other risks, events, facts or circumstances not currently known to the Group, or that the Group currently deems to be immaterial, could, individually or cumulatively, prove to be important and could have a significant negative impact on the Group's business, results of operations, financial condition and prospects.

Prospective investors should carefully read and review the entire Prospectus and should form their own views before making an investment decision with respect to any Offer Shares. Furthermore, before making an investment decision with respect to any Offer Shares, prospective investors should consult their own professional adviser and carefully review the risks associated with an investment in the Offer Shares and consider such an investment decision in light of their personal circumstances.

Risks relating to the Group's business and industry generally

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

The markets in which the Group competes are characterised by frequent new product introductions and enhancements, and changing end-user preferences and demands, 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 demands and develop and maintain a product offering that meets evolving customer preferences. In order to compete successfully, the Group must proactively address demand changes and end-user preferences in its research and development, its inventory levels and the mix of its product offering. The Group may not adequately attend to changes in end-user demands and preferences and the Group may fail to adapt its product offering in a timely manner. End-user preferences and demands may change faster than the Group is able to adapt its product offering, 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.

Issues in the Group's supply or distribution chain may also prevent the Group from being able to adapt to evolving end-user demands and preferences. While the Group's supply, processing and manufacturing capabilities are currently sufficient to meet its present business needs, the Group may need to expand these capabilities in the future as it continues to grow and scale its business, thereby incurring potentially higher capital expenses. For example, the Group has plans on increasing production in North America and further expanding its production capabilities there in line with its business plan. The Group might be unable to effectively scale production and processing or manage its supply chain requirements. The Group must accurately forecast demand for its products in order to ensure it has adequate processing and manufacturing capacity to effectively allocate product supply across its stock keeping units (**SKUs**). Inventory level in excess of customer demand may result in the need to sell excess inventory at discounted prices or in inventory write-downs, causing an adverse effect on its results of operations, financial condition and prospects. Conversely, the Group may underestimate or otherwise be unable to meet customer demand for its products. For example, the Group's suppliers may fail to procure the raw materials the Group requires or the sub-contractors the Group uses to manufacture component parts for assembly may fail to deliver, deliver late or in a manner unsatisfactory to the Group, at any time but particularly during periods of peak demand. Consequently, the Group may experience inventory shortages which in turn may disrupt the Group's operations and impair or limit the Group's ability to meet end-user demands and preferences in a timely fashion or at all. In particular, inventory shortages might delay shipments to customers, negatively impact the Group's relationships with wholesalers, retailers and end-users as well as adversely impact the Group's reputation. The difficulty in forecasting demand over a long time period, due to the limited order backlog in the industry, also makes it difficult to estimate the Group's future results of operations, financial condition and cash flows from period to period. A failure to accurately predict the level of demand for the Group's products could adversely affect its revenues and profits, consequences that the Group will be unable to predict with any certainty in advance.

If the Group does not anticipate or adequately respond to evolving market demands, it will not be able to sell its products or maintain the appeal of the Group's brands successfully, which may adversely affect the Group's business, results of operations, financial condition and prospects.

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 characterised 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 offering and manufacturing processes. In order to remain competitive in the markets in which the Group operates, the Group must develop high-quality products that feature the latest technological advancements, and must be able to successfully integrate new technologies with its existing product offering. The development, manufacturing and sale of new technologies will often make existing ones outdated, which may lead in turn to a partial or total loss of the investments made. The principal focus of the Group's research and development activities 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. Any failure by the Group in the future to develop new technologies or timely react to changes in existing technologies could materially delay the Group's development of new products, which could result in product obsolescence, decreased revenues and a loss of the Group's market share to the Group's competitors.

The expenses associated with investing in new products and technology developments may be higher than expected and subject to factors fully or partially out of the Group's control. The Group may not have sufficient resources to continue to make adequate investments in its products or its investments may not result in the successful development of new products and features and will not allow the Group to obtain price premiums. Furthermore, existing, proposed or future technologies that are not or do not become available to the Group may render the Group's products less attractive compared to those offered by its competitors and its business less profitable, leaving the Group with inadequate resources to compete effectively against companies with such technologies. The Group may not be able to adapt to technological changes, offer such products on a timely basis or establish or maintain a competitive position in the markets in which it competes. Also, a decrease in the actual or perceived quality of the Group's products and processes could damage the Group's image and reputation as well as those of the Group's products. If the Group does not anticipate or adequately respond to technological changes and quality standards, it will not be able to sell its products or maintain the appeal of the Group's brands and products successfully, which may adversely affect the Group's business, results of operations, financial condition and prospects.

The Group faces intense competition and its competitive position may deteriorate.

The markets for heating and hot water in which the Group operates are highly fragmented, with numerous and highly competitive participants, among which the Group considers AO Smith and NIBE Group to be its two global competitors, as described in detail in "*Business—Market and competition*". The markets in which the Group operates require significant investment in research and development as well as in production and distribution capabilities. They are also characterised by technical complexity and loyalty to the established brands throughout the supply chain, including by third-party installers, wholesalers, distributors and end users, in part due to the transaction costs associated with changing brands. While this is advantageous for the Group for purposes of defending its existing market positions, this creates the risk that the Group may not be able to gain additional market share and improve its competitive position.

Furthermore, in addition to competing on the basis of product offering, the Group faces intense competition on price, which favours those who have the most flexible manufacturing capabilities and the most effective logistics footprint to quickly meet local customer demand with lower operational costs and more competitive pricing. If the Group is unable to quickly adapt its operational and logistics footprint as required to capture growth in fast-growing segments or geographies it may lose the ability to offer competitive prices and preserve margin and market share.

The development in many markets in which the Group operates is determined in part by technological changes, innovation and integration. This requires continuous investments in research and development in order to acquire and maintain a technological edge and be able to effectively and efficiently compete for the Group. Competitors may further develop their current products and technologies or create alternative ones that are more attractive in terms of pricing, offer a higher quality or a broader functionality or are more appealing for other reasons than the Group's products. The Group is also dependent on its sub-contractors to supply it with the components the Group needs to assemble its finished products. These components may not always satisfy the Group's technical and other quality specifications and, as a result, may prevent the Group from offering a competitive range of products, which may create a potential advantage for the Group's competitors. The Group's existing competitors or new entrants may have greater operational, financial and other resources or may otherwise be better positioned to develop new products and compete for new business opportunities.

If the Group is unable to continue to provide its products and services to existing clients, develop new products and services, attract new clients, respond to changes in consumer trends, increase its operating efficiency and reduce its operating and overhead costs and offer attractive pricing for its products, it may not be able to successfully compete in the markets in which it operates, which in turn may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group depends on certain key raw materials and components to produce its products, 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 the Group buys component parts rely on various raw materials for their products, such as steel, polyurethane and non-ferrous metals such as copper, nickel and aluminium, as well

as precious metals, such as silver, and electronic boards. Raw materials are used both directly by the Group in its manufacturing processes and by sub-contractors for the component parts subsequently assembled by the Group into finished products.

The market price and availability of the materials that are used for the Group's operations can fluctuate sharply depending on market conditions, technological evolution and legislative changes. Because these raw materials are used in other industries (e.g. home appliance and automotive), during times of shortage there can be increased competition to obtain them. A shortage of raw materials, components or 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.

During the COVID-19 pandemic (both during the acute phase in the first half of 2020 and the subsequent global supply disruption in 2021), the Group was able to prevent any material impact on its operations through preventative measures such as increasing the number of secondary or tertiary suppliers as well as its stock of raw materials and components and leveraging its global supplier base. For example, during both 2020 and 2021 the Group has faced a shortage in the supply of electronic boards, although this has not had a material impact on the Group's operations. However, if circumstances change in the future, the measures taken by the Group may be insufficient and its business may be more strongly impacted by supply shortages. Any such shortages may in turn impact the supply chain and adversely affect the Group's ability to satisfy end-user demand and preferences as well as the Group's ability to compete effectively, as described in "*—The Group depends on its ability to develop and maintain a product offering on pace with changes in end-user demand and preferences*".

Further, 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. However, should the global supply chain disruption related to the COVID-19 pandemic continue or worsen in future years, it is possible adequate substitutes for the Group's suppliers may be unavailable. For example, in the Hot Water product category, for the supply of heating elements and thermostats the Group relies predominantly on the vertical integration and connected supplies from its Components division. Because this supply chain is internal to the Group, it may be more difficult to transition to an external supplier should the Components division fail to provide the adequate inputs. Further, in the Heating product category, the Group relies on a handful of suppliers for its supply of electronic boards and gas valves, although these are considered easier to replace if necessary. Any interruption in the Group's arrangement with its single or limited source suppliers or any inability to replace them could undermine the continuity of the Group's production process and the ability to fulfil orders on schedule, or limit the Group's ability to negotiate pricing and in turn have an adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, as a consequence of COVID-19-related global supply chain disruption and accompanying macro-economic inflationary trends, the Group has experienced significant price increases in the raw materials it routinely acquires to manufacture and assemble its products, including steel, polypropylene and copper. For example, the market price of steel has more than doubled in the first nine months of 2021, copper has increased by 35% in the same period. The Group has been mostly protected from these increases due to medium-term contractual agreements with suppliers based on fixed prices. Further, historically the Group's industry has been able to successfully offset price increases by increasing the prices of its own products (albeit with a time lag of about three to six months) thereby mitigating the impact on financial results. However, the Group may not be able to pass price increases on to the Group's customers in the future, and commodity price increases could reduce the Group's profit margins. In addition, even if the Group continues to increase its prices, in the future this could negatively impact its sales volumes and, should volumes decrease at a faster pace than prices are increased, also indirectly harm revenues. As such, although the Group has to date managed to avoid such material negative impacts, increases in the prices of raw materials could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Any shortage in or material 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 condition and prospects.

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

The Group's growth strategy partly involves growing through acquisitions, including those anticipated in the future. In particular, on 20 October 2021, the Group signed an agreement to acquire renewable Israeli hot water provider, Chromagen. For more information on the planned acquisition, see "*Business—Strategies*". 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 slowed 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, failure to obtain adequate debt or equity funding, a material disruption to the financial markets or material adverse changes in economic conditions and failure to satisfy any closing condition under the applicable transaction documents. Any such failure or delay may also divert management time and resources for a prolonged period of time. 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 materialise than estimated. Any of these circumstances may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Acquisitions also expose the Group to the risk that the Group may not be able to identify all potential liabilities or obligations before the acquisition or that any indemnity it obtains from the seller will be inadequate to cover such liabilities. Future acquisitions may also lead to increased debt and contingent liabilities as well as depreciation costs and impairments related to goodwill. This may have a negative effect on the Group's business, results of operations, financial condition and prospects.

In addition, the Group has acquired, and may from time to time continue to acquire, majority but not whole ownership interests in a business. Although the Group is the largest shareholder in most of the businesses in which it has majority but not complete control, minority shareholders have protective rights (such as those related to voting or legal remedies), whether contractually or pursuant to applicable local laws and regulations, may have financial or operational interests or goals that differ from the Group's interests or may, as a result of financial or other difficulties, be unable or unwilling to fulfil their obligations as minority shareholders. Additionally, any disagreements or disputes between the Group and the minority shareholders in any of these businesses may lead to litigation, harm the Group's reputation or prevent the Group from exercising control over or achieving its strategic or financial goals for such business. Any of these events could adversely affect the operation, performance and growth prospects of, or dilute the value of and return on the Group's investment in, these businesses.

Any divestments of businesses may expose the Group to risks, including as a result of the terms of the transfer of the business, for example guarantees, damages and commitments to the purchaser about the divested business. In particular, the Group may be contractually or otherwise legally required to indemnify the purchaser of any disposed assets or businesses, including in respect of liabilities that are unknown or contingent at the time of such disposals or which may materialise much later than the time of completion of the relevant disposal. If any of these risks related to past or future disposals should materialise, it may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may not be able to successfully manage future growth.

Over the past decade, the Group has expanded its business through organic growth outside of Europe, in particular in the Middle East, Asia, and Africa, as well as through several Group acquisitions such as Heat Tech Geysters in South Africa, ATAG Heating in the Netherlands, Calorex in Mexico, NTI in Canada and HTP and WTHC in the United States. For more detail on the risks related to acquisitions, see "*—The Group is exposed to risks relating to acquisitions and divestments*". The Group plans to continue this strategy. Additionally, the Group plans to increase its personnel outside of Italy to support its further growth globally and selectively make further acquisitions. Such growth has placed and will continue to place a strain on the Group's management systems, infrastructure and resources. While the Group expects its business to continue to grow, it may not be able to maintain its historical growth rates in future periods. Revenues may grow more slowly or may decline for any number of reasons, including the Group's inability to attract and retain clients, decreased client spending, increased competition, changes in government policies and general economic conditions.

The Group's future growth also depends on a successful execution of the Group's business plan, which, in turn, depends on a number of assumptions. The assumptions relate to demand for the Group's products, conditions of the markets in which the Group operates or is planning to expand, the position of the Group's competitors in those markets, the resources available for planned growth and the related costs. For more detail on the risks of operating and expanding in different jurisdictions, see "—*The Group is exposed to local business risks in many different countries*". If the assumptions underlying the Group's business plan for future growth turn out to be materially inaccurate, or if the Group is otherwise unable to execute its business plan, the Group may be unable to grow as planned and the Group's business may be materially affected.

The Group's ability to manage growth and integrate operations, technologies, products and personnel depends on the Group's administrative, financial and operational controls, its ability to create the infrastructure necessary to exploit market opportunities for the Group's products and financial capabilities. In order to compete effectively and to grow the Group's business profitably, the Group will need, on a timely basis, to maintain and improve the Group's financial and management controls, reporting systems and procedures, implement new systems as necessary, attract and retain adequate management personnel and hire a qualified workforce that the Group can train and manage. As a large global organisation with 70 Group operating companies in 42 countries, the Group already has in place extensive systems and controls. However, given the complexity of its organisation, the Group may be unable to adequately monitor further expansion. Furthermore, as the Group continues to introduce new products across the globe, it will be required to manage an increasing number of relationships with various customers, suppliers and other third parties. The failure or delay of the Group's management in responding to these challenges could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group depends on the efficient and uninterrupted operations 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 the 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 available 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 centre, hardware and wide and local area networks) are generally exposed to the risk of disturbances, damage, electricity failures, computer viruses, fire, other disasters, hacker attacks and similar events.

The Group is exposed to security breaches to its information technology (**IT**) systems or those of its suppliers. Unauthorised attempts to access the Group's IT systems, including viruses, worms or malicious software programs, or malware, may interfere with or exploit security flaws in its products and services and jeopardise the security of information stored in the Group's IT systems. Groups of hackers may also act in a coordinated manner to launch denial of service attacks or other coordinated attacks that may cause the Group's websites or other systems to experience service outages or other interruptions. The Group operates across more than 150,000 devices connected to a central, dedicated IT platform. A successful attack on this platform at a device or cloud level could jeopardise a portion or all of the Group's IT system and the connected services of its customers, which could entail a leak of personal data as well as delivery and services problems for its customers.

The Group's manufacturing and supply chain infrastructure is also managed through a virtual connected system. Any successful 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 of operations, financial condition and prospects. The Group is also exposed to direct hacker attacks or ransomware aimed at the IT systems of its senior leadership, which if successful may result in an information leak or reputational issues.

Any failure of the Group's security measures, or any service outages or other interruptions to the Group's IT systems, may disrupt the Group's operations, harm its reputation and have a significant adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group also relies on approximately 30 IT service providers to provide the Group with a variety of solutions and services necessary for its operations (e.g. software platforms, hardware equipment and cloud services). In particular, the Group's business continuity plans rely, in part, upon third-party providers of related services, which increases the Group's vulnerability to problems with the services of third-party IT service providers. The Group's review processes for such providers may be insufficient to identify, prevent or mitigate adverse events. The IT service providers are ultimately responsible for maintaining their own network security, disaster recovery and system management procedures, and, if the providers do not fulfil their contractual obligations, have system failures, choose to discontinue their products or services or otherwise suffer any type of cybersecurity incident, the Group's business and operations could be disrupted and its brands and reputation could be harmed.

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, including the U.S. dollar, Russian Rouble, Swiss franc, the Chinese renminbi and the Mexican peso. The Group encounters currency transaction risk whenever one of its subsidiaries enters into a transaction using a currency different to 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.

The Group hedges foreign-currency items as they arise in order to fix prices on the basis of hedging rates, and limit some currency risk, mainly from sales and procurement transactions. However, hedging may not eliminate all risk.

In addition to transaction currency risk, changes in exchange rates affect the translation into euro of 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 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). Translation risk generally is not hedged. In addition, changes in the exchange rate of foreign currencies may negatively influence the Group's sales volume as well as its profit margins.

These currency exchange rate risks could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to risks from legal and tax proceedings.

The Group is involved in litigation in the ordinary course of business, particularly in the areas of product warranty, guarantee claims, delivery and payment delays, competition law, intellectual property disputes, labour disputes and tax matters, and could become involved in additional disputes in the future, which may involve substantial claims for damages or other payments in connection with past or future violations of laws or disputes with the Group's suppliers and customers. The Group may also be subject to significant product liability and other liability risks that are inherent in the design, formulation and manufacture of the Group's products, including claims for personal injury, death and property damage resulting from the use of the Group's products. The Group may also be involved in disputes relating to its use of intellectual property. See "*—The Group's products, services and know-how may not be fully protected by intellectual property rights, the Group's intellectual property rights may be infringed or challenged by third parties and the Group may infringe third parties' intellectual property rights or be faced with claims regarding infringement with regard to the use of intellectual property*". The outcome and impact of potential future legal and other proceedings is difficult to predict with any certainty and provisions for potential future liabilities arising from such proceedings may not be sufficient to cover for such liabilities. In the event of a negative outcome of any material legal or arbitration proceeding, whether based on a judgment, award or a settlement, the Group could be obligated to make substantial payments. Even claims without merit could subject the Group to adverse publicity and require it to incur significant legal fees. The Group may also not be able to recover on the claims the Group brings against the Group's customers and third parties. In addition, the cost related to litigation and arbitration proceedings may be significant. If any of these risks materialise, the Group's business, results of operations, financial condition and prospects could be materially and adversely affected.

For additional information regarding legal and tax proceedings, see "*Business—Legal proceedings*".

The Group's products, services and know-how may not be fully protected by its intellectual property rights, which may be infringed or challenged by third parties, and the Group may infringe third parties' intellectual property rights or be faced with claims regarding infringement with regard to the use of intellectual property.

The Group owns almost three hundred patents as well as trademarks, domain names, know-how, utility models, registered designs and similar intellectual property, which are significant to the Group's business, and it relies on trademark and patent law and confidentiality, license and proprietary rights agreements with its employees, customers, suppliers and others to protect its intellectual property rights. The granting of patents does not necessarily imply that they are effective or that potential patent claims can be enforced to the degree required or desired. Additionally, the patents the Group has applied for or intends to file for registration in connection with new technological developments may not be granted in each of the countries where the Group considers this necessary or desirable. Third parties may infringe the Group's patents and/or intellectual property rights and the Group may, for legal or factual reasons, be unable to halt such infringements. Furthermore, if third parties challenge the Group's patent or applications for protection, the Group may be required, in order to obtain the intellectual property right sought, to make public disclosures potentially enabling competitors to patent corresponding technologies in other jurisdictions or to use the Group's know-how to develop competing devices. In addition, even where the Group is successful in obtaining intellectual property protection, such protection is usually limited in time: patent protection varies from country to country, with most jurisdictions in which the Group operates granting protection for 20 years. With respect to certain product areas, continuous further development of products and maintaining technical leadership is necessary to prevent competitors from copying the Group's products.

If the Group is unable to protect its intellectual property, the Group may not be able to profit from the advances in technology it has achieved, which could lead to a reduction in future results of operations. This could affect the Group's competitive position and any resulting reduction in revenues would have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Additionally, the Group may infringe the patents for product or manufacturing processes or utility model of third parties, since the Group's competitors also have submissions for patent protection. This may result in the Group being prevented from using the affected technologies or being forced to purchase licenses, alter manufacturing processes or pay compensation. Know-how and industrial secrets that are not patented or cannot be patented are also of significant importance in the Group's business, in particular in areas with technologically demanding products and production processes. For example, there is a risk that the Group's competitors are granted patents for products and production processes that, at that time, the Group had already produced or implemented without a patent. In the relevant country, this could lead to restrictions regarding the sale of the affected products, the application of the relevant production processes or an obligation to pay license fees. The Group may not be able to protect its industrial secrets and third parties may develop the same or similar know-how independently.

Any restrictions on delivery and production due to patent infringement, or production interruptions resulting from patent infringement, whether due to a change in a manufacturing process or due to other reasons, or the subsequent acquisition of corresponding licenses could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In September 2021, the Mexican subsidiary of the Group Calentadores de America SA de CV. (**Calentadores**) received from Trane International Inc. (**Trane**) a termination notice regarding its license to use the trademark "American Standard" for the manufacture and sale of its products in Mexico, the United States and Canada. The Company considers that the claim is not likely to succeed and discussions with Trane are ongoing; however, should the trademark license be terminated, this may have an adverse effect on the business, results of operations, financial condition and prospects of Calentadores and the Group.

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

The Group is a global company with 23 production sites in 4 continents and sales in approximately 150 countries in 2020. The Group's growth strategy focuses on continuing to expand within the Group's existing geographical markets, as well as potentially entering new markets. The Group also believes that revenues from sales in emerging markets, including Asia and MEA, which accounted for 17.4% of the Group's revenue for the nine months ended 30 September 2021, will continue to account for a material portion of the Group's total revenues for the foreseeable future. Accordingly, the Group's business is subject to risks resulting from differing legal, political, social and regulatory requirements and economic conditions as well as unforeseeable developments in a variety of jurisdictions, in particular in emerging markets. These risks include, among other things:

- political, economic and military instability in foreign markets;
- differences and unexpected changes in social, legal, labour and regulatory environments;
- unfavourable governmental credit policies, which can adversely impact underlying markets in which the Group operates;
- restrictions on currency, income, capital or asset expatriation, which affect the Group's ability to extract cash and continue its operations;
- exposure to different legal standards, including different regimes controlling the protection of the Group's intellectual property and different insolvency regimes;
- boycotts, sanctions and embargos that may be imposed by the international community against countries in which the Group operates;
- tariffs, other trade protection measures and import or export licensing requirements;
- the Group's inability to collect payments or seek recourse under or comply with ambiguous or vague commercial or other laws;
- complex and varying tax regimes;

- difficulty in staffing and managing widespread operations, including in respect of local information technology and financial reporting, and in attracting and retaining qualified management and sales and marketing employees generally, while continuing to further rationalise the Group's work force;
- restrictions imposed by local law on the Group's ability to own or operate subsidiaries, receive dividends from subsidiaries, make investments or acquire new businesses, including legal restraints that limit the number of dividend payments from the Group's subsidiaries in China and corporate law restrictions in the Middle East, where cooperation with a local partner is required to establish a business;
- risks associated with use of suppliers and sub-contractors to produce the Group's component parts in certain jurisdictions;
- uncertainties in and revocation of property title;
- imposition of other government restrictions;
- social instability and frequency of crimes and corrupt practices; and
- potential terrorist attacks.

The Group's success as a multinational business depends upon its ability to anticipate and effectively manage differing 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 elevated, some of which, such as political and economic instability, few legal protections and corruption, can create a difficult business environment. This may also put the Group at a competitive disadvantage against competitors that are not subject to, or do not comply with, the same regulations, thereby limiting the Group's growth prospects in such countries. In addition, in some of the emerging countries in which the Group operates (particularly South America, Africa and South-East Asia), businesses tend to be exposed to a heightened risk of loss due to fraud and criminal activity. Should any of these local business risks materialise, it may have a material adverse effect on the Group's business, financial condition and results of operation.

Any failure to maintain, protect and enhance the Group's reputation and brand may adversely affect its business.

The recognition and reputation of the Group's brands among existing and potential customers and suppliers are critical for the growth and continued success of its business as well as for its competitiveness in its markets. Maintaining a leading brand is essential in the heating and hot water industry, as customers typically favour the market participants with the most recognisable and reputable brands. Therefore, any unfavourable developments that harm the Group's brands and reputation could materially adversely affect its business.

As competition in the Group's markets intensifies, maintaining and enhancing the Group's brands may become increasingly difficult and expensive, and investments to increase the value of its brand may not be successful. Many factors, some of which are partially beyond the Group's control, are important for maintaining and enhancing its brands, including the Group's ability to:

- attractively present and market its products and services;
- maintain and improve the popularity, attractiveness, quality, value and tailored nature of its product and service offering;
- increase brand awareness through marketing and brand promotion activities;
- preserve its reputation;
- offer its products and services at attractive prices;
- maintain and improve customer loyalty and repeat purchases;
- maintain and improve the Group's performance on environmental, social and governance (**ESG**) targets;
- perform adequate due diligence on its current and potential future suppliers and sub-contractors;
- protect against IT security breaches and attacks;
- maintain, monitor and improve the Group's relationships with employees and suppliers; and
- manage new and existing technologies and sales channels.

In addition, since the raw materials for the Group's products are supplied by third-party suppliers or sourced directly from manufacturers and built into component parts by sub-contractors, the Group may also receive negative publicity in case of any failure to properly select or monitor its suppliers or inappropriate actions of its suppliers and sub-contractors, such as violations of product safety regulations, environmental standards, labour laws or use of child or slave labour, dissemination of confidential information, sales outside of the agreed-upon territory, association with inferior brands or the provision of inadequate after-sales services to the customers.

Any negative publicity may be accelerated through social media due to its immediacy and accessibility as a means of communication, especially since the Group uses social media (including Facebook, Instagram, LinkedIn and YouTube) to promote its brand. In addition, the Group has witnessed occasional instances of misuse of its brand identity on websites unlawfully using its brand, trademarks and logos. Such negative publicity, even if factually incorrect or based on isolated incidents, and unlawful use of the Group's brands could diminish their value, damage the Group's reputation, undermine the trust and credibility the Group has established and have a negative impact on the Group's ability to attract new or retain existing customers. Given the speed at which information generally travels on social media and the internet, the Group may be unable to react to such negative publicity in a timely manner. Additionally, many of the Group's products are sold through third-party distributors and wholesalers on whom the Group relies to disseminate product information and information about the availability of products the Group offers. Should these distributors or wholesalers for any reason fail to promote the Group's products, provide inaccurate information about the Group's products or actively steer their customers towards other competitor brands, this would also have a negative impact on the Group's reputation and brands, as well as on its sales volumes and profitability.

Any failure to maintain, protect and enhance the Group's reputation and brand could have a material adverse effect on its business, results of operations, financial condition and prospects.

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 specialised 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.

Although the Group has in place succession plans to manage the potential loss of services of any members of senior management, local management or other key employees, the Group may not be able to shield against all the risks associated with the departure of one or more senior managers, including the risk of being no longer able to rely on and benefit from such senior managers' know-how, expertise, experience, leadership, vision and reputation. Further, the Group may not be able to hire sufficiently skilled candidates or provide sufficient training for the positions required, resulting in a workforce that is not sufficiently educated and prepared to conduct the Group's business.

The Group believes that the growth and success of its business will depend on its ability to attract highly skilled and qualified employees with specialised know-how in the heating and hot water industry. If the Group encounters any difficulty in attracting, retaining and training qualified personnel, the Group's business and results of operations may be adversely affected.

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 the 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.

In addition, operational disruptions or interruptions at the Group's facilities and sites may occur, including for reasons beyond the Group's control (such as aircraft crashes, terrorism, epidemics, political unrest, natural disasters or other acts of God) or for other reasons (such as fire, explosion, release of hazardous substances or strikes, as well as interruptions relating to the supply of energy, raw materials and product components or IT failures). Operational disruptions and interruptions and process weaknesses may lead to production downtimes and interruptions relating to services provided and product assembly. Further, the Group's sales operations may be interrupted by any failure in the transportation of its products to wholesalers or distributors. Any disruption to, or decrease in, the availability or capacity in the transportation network (such as due to an earthquake, major accident, strikes, seasonal congestion during holidays, or any significant rise in transportation costs), could materially and adversely affect the Group's ability to deliver its products and have a material adverse impact on its business and results of operations.

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 Group may be unable to obtain the necessary materials or component parts for its operations and may be liable vis-à-vis its customers for any delay or any other failure in fulfilling such customers' orders, such as not meeting the agreed product specifications or expected quality standards, that may result from any such disruption.

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 the Group's ability to sell its products, which would decrease revenue, with a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The effects of global economic cycles could have a material adverse effect on the Group's business.

Global economic growth remains volatile and could stall or reverse course. A global economic downturn could adversely affect consumer confidence and spending patterns, which could result in decreased demand for the products sold by the Group, deferred purchases, increased price competition or slower adoption of energy-efficient products or high-quality heating and hot water products. This could negatively impact the Group's profitability and cash flows. In addition, a deterioration in current economic conditions could negatively impact the Group's distributors and customers, which could result in an increase in bad debt expense, customer and distributor bankruptcies, interruption or delay in supply of materials, or increased prices of such materials, which could negatively impact the Group's ability to distribute, market and sell its products and the Group's business, results of operations, financial condition and prospects.

The Group derives most of its revenues from mature markets in Europe, where demand for replacements may be driven by, among other factors, the age of existing devices, consumers' financial resources or other government incentives to move towards more efficient and environmentally friendly technology. Decreased demand during an economic downtown in these mature markets can negatively affect profit margins on technologically advanced products. Decreased demand in emerging markets where there is more interest in product diversification can negatively affect sales volumes and profit margins on the Group's

core product offering. In both mature and emerging markets, in times of economic downturn, consumers may either choose to delay the replacement or instalment of household equipment or opt for lower-quality and lower-cost alternatives. This would reduce demand for the Group's products. If competitors can develop low to medium-end alternatives especially in emerging markets, the Group may not be able to grow its market share, particularly during an economic downturn.

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

Payment conditions, 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 corresponding trade receivables when products are delivered to customers, and with respect to 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 customers. The significant periods of time the Group's trade receivable would 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 condition and prospects.

In addition, the Group is exposed to a risk of payment default by the Group's customers. Trade receivables constituted 21% of the Group's current assets as of 30 September 2021, totalling €228 million and 11.7% as a percentage of revenue. The amount of trade receivables being overdue is an indication of the risk that the Group runs in connection with potential bad debts. As of 30 September 2021, the Group's bad debt provision amounted to €1 million. From time to time, the Group has experienced payment defaults of customers that were unable to pay for delivered goods due to financial difficulties, although the impact has been limited. Even though the Group's customer portfolio is diversified and its net working capital is low, there remains a risk that the Group's clients could delay payment or fail to pay according to the agreed terms and conditions.

If this were to occur, the Group may be required to seek recovery of payments through legal action, which would cause it to incur additional costs and expenses, and, assuming such recovery actions were to be successful, result in delays in receiving payment, any of which could have a negative effect on the Group's business, results of operations, financial condition and prospects.

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 condition.

The Group's business, results of operations and financial condition 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 COVID-19 pandemic has significantly impacted economic activity and markets around the world, and while it has had a limited impact on the Group's operations in 2020 and 2021, including a reduction in revenue by 2.7% between 2019 and 2020, it could have a material adverse effect on the Group's business and operations in numerous ways going forward, including the following:

- The risk that the Group, its employees, suppliers or customers may be prevented from conducting business activities for an indefinite period of time, including shutdowns that may be requested or mandated by governmental authorities.
- Restrictions on shipping products from jurisdictions where they are produced or into jurisdictions where customers are located.
- Inability to meet the Group's customers' needs and achieve cost targets due to increased logistics costs, longer shipment times and disruptions in the Group's manufacturing and supply arrangements caused by the loss or disruption of essential manufacturing and supply elements, such as raw materials or other finished product components, transportation, workforce or other manufacturing and distribution capability.
- Failure of third parties on which the Group relies, including the Group's suppliers, distributors, sub-contractors and commercial banks, to meet their obligations to the Group, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties, or mandated shutdowns by governmental authorities, may adversely impact the Group's operations.
- Significant reductions in demand, particularly for the Group's commercial products, or significant volatility in demand and a global economic recession that could further reduce demand for the Group's products, resulting from actions taken by governments, businesses and/or the general public in an effort to limit exposure to and spreading of such infectious diseases, such as travel restrictions, quarantines and business shutdowns or slowdowns.
- Manufacturing plant inefficiencies due to safety and preventative health measures that the Group has implemented in the Group's plants to prevent the spread of COVID-19.
- Deterioration of worldwide capital, credit and financial markets that could limit the Group's ability to obtain external financing to fund the Group's operations and capital expenditures.

See "*Operating and Financial Review—Key factors affecting the Group's performance—COVID-19*" for a detailed description of the impact of COVID-19 on the Group's operations and financial performance.

The extent to which the COVID-19 pandemic, or other outbreaks of disease or similar public health threats, may impact the Group's business, results of operations and financial condition in the future is highly uncertain and will depend on future developments. Such developments may include the geographic spread and duration of the virus, the emergence and spread of new variant strains, the efficacy of vaccines and the actions that may be taken by various governmental authorities and other third parties in response to the outbreak. In addition, the Group cannot predict how quickly, and to what extent, normal economic and operating conditions can resume, and the resumption of normal business operations may be delayed or constrained by lingering effects of the COVID-19 pandemic on the Group's suppliers, third-party service providers or customers. Certain markets, including those in which the Group operates, have to date been less affected than the wider economy by the negative

impacts of the COVID-19 pandemic, and even experienced a positive performance during this period. The Group experienced some impacts from the COVID-19 pandemic over the course of 2020. These were the suspensions of production at some of the Group's plants in the second quarter of 2020 and expenses associated with complying with social distancing and other protective measures, as well as extraordinary costs relating to transportation due to temporary plant closures. Nevertheless, the Group may not be able to continue minimising any continued negative impacts, or may experience greater impacts as the pandemic evolves. Any slowed growth in revenue or decline in revenue as a result of decreased demand or changing consumer preferences may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may incur material costs as a result of warranty and product liability claims which could adversely affect the Group's profitability.

The Group's products are subject to express and implied warranty claims. The Group cannot assure that it will be successful in maintaining or reducing the historical level of warranty claims or that claims in relation to the Group's products will not increase significantly.

Additionally, defects in the Group's products may result in product liability claims, product recalls, adverse customer reactions and negative publicity about the Group or its products. The Group's products also operate at high temperatures and use significant water pressure, and accordingly, product failures could result in substantial harm to people or property. The Group holds insurance for losses relating to product liability and recall campaigns, subject to market-standard exclusions and deductibles. The Group regularly reviews the adequacy of its insurance coverage and considers its insurance coverage to be in line with coverage customary in its industry. There is, however, no guarantee that the Group will not suffer losses for which no insurance coverage is available, that the losses will not exceed the amount of insurance coverage under existing insurance policies or that the Group's current insurance policies will continue to be available on economically reasonable terms, if at all. Defects may also require expensive modifications to the Group's products. The occurrence of any of these events could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's business may be disrupted as a result of strikes, work stoppages or other labour disputes.

As of 30 September 2021, the Group had 7,692 employees. Labour laws in some countries where the Group operates, particularly Italy, France and the Netherlands, ensure a high level of employee protection, while in other countries, particularly in South Africa and Mexico, labour laws provide a lower level of protection to employees. In addition, some employees are members of trade unions. The Group may experience disruptions to its business as a result of strikes, work stoppages or other labour disputes. For example, the Group recently experienced a protest by workers to a plant closure in India, although it did not impact the Group's business continuity.

In the future the Group may not be successful in negotiating collective bargaining agreements on mutually satisfactory terms which may cause deterioration in the Group's relations with the Group's employees and expose it to greater risks of strikes and other industrial actions. Negotiations may materially alter the Group's relationship with its employees and could materially and adversely affect the Group's business, results of operations, financial condition and prospects. Strikes or other union actions and the negotiation of collective bargaining agreements, union agreements and future wage increases could make it more costly for the Group to operate its business, with a negative impact on the Group's financial condition, assets, business and results of operations.

The Group has substantial goodwill and intangible assets, which may be subject to write-downs, which could in turn materially adversely affect its financial results.

Goodwill is recognised as an intangible asset and is subject to an impairment test, at least annually or upon the occurrence of significant events or changes in circumstances that indicate an impairment has occurred. An adverse development in business activities may require the Group to recognise additional significant impairment charges and write down all or a substantial part of the carrying amount of its goodwill and intangible assets, which would materially adversely affect its business, results of operations, financial condition and prospects.

The Group has no prior experience as a public company, and publicly traded company requirements will increase costs and could divert resources from the day-to-day management of its business.

The Group has no prior experience operating as a publicly traded company and complying with the increasingly complex laws pertaining to public companies. The Group's management team might not successfully or efficiently manage the Group's transition to being a public company subject to significant regulatory oversight and reporting obligations under applicable laws and regulations. The new obligations will require substantial attention from the Group's senior management and could divert their attention away from the day-to-day management of the Group's business.

The Group had already substantially adapted its internal controls as well as its reporting and risk management procedures to the requirements of a publicly listed company in Italy, including implementing half-year financial reporting and additional data security measures. However, other measures required to comply with all public company obligations in the Netherlands have only been implemented recently in connection with the proposed Offering, and they may not function as designed. Consequently, the Group may be unable to detect and react to risks arising in the course of its business. Implementing any appropriate changes to the Group's internal controls may distract its officers and employees, result in additional costs if the Group implements new processes or modifies its existing processes and require significant time to complete. For example, the Group is in the process of making changes to its current accounting system, such as establishing policies regarding insider transactions, to better integrate this system with its other existing systems. Any difficulties or delays in implementing this system could impact the Group's ability to timely report its financial results. As a result, the Group's investors could lose confidence in its reported

financial information, and its share price could decline, which could in turn have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Compliance with these rules and regulations will increase the Group's legal and financial compliance costs and may make some activities more difficult and time-consuming. As a result, management's attention may be diverted from other business concerns and the Group may be required to hire additional employees or engage outside consultants to comply with these requirements, which would increase its costs and expenses.

Any of these developments, alone or in combination, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

This Prospectus contains information about the Group's market and competitive position from third-party sources, which has not been independently verified or which is based on assumptions or estimates that may prove to be inaccurate or which incorrectly reflect the Group's market position.

This Prospectus contains declarations of market size and market share which are based on multiple internal and third-party sources, including the Group's internal data on sales volumes, market data provided by industry associations and consultants where available, and other non-public and non-reproducible external data it obtains from research companies and governmental entities. For more information on how the Group gathers and calculates market data, see "*Important Information—Market and industry data*".

The Group believes that there is currently no single independent, third-party source that analyses heating and hot water markets on a global level, in an exhaustive and consistent manner. Therefore, the Group monitors the benchmark markets and determines the size of the market and the Group's competitive position, basing its studies on third-party sources that the Group deems to be reliable resources for mapping out the markets concerned. These calculations and subjective evaluations are made directly by the Group due to the absence or insufficiency of third-party sources and may not prove to be accurate. Consequently, the Group's position in the market, and the performance of the market segments that the Group serves, may not correspond to the assumptions underlying the statements and estimates contained herein.

Risks relating to tax, legal and regulatory matters

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

The Group operates in 42 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, environmental, fire, planning, landlord/tenant, competition, advertising, tax, 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 compliance 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 regulation could also reduce the rate at which the Group can develop and produce new products and services.

The Group may be required to make significant expenditures 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.

With particular reference to Italy, Italian Legislative Decree no. 231/2001 introduced a system of enterprise liability for several types of criminal offenses committed in the corporate interest and/or to its advantage by persons in senior management positions or those persons' subordinates. This law, however, provides that the entity is not liable if it can prove that it effectively implemented an organisation, management and control model suitable for preventing the commission of the criminal offenses in question (Model 231). In response, the Group has adopted the model contemplated by this legislative decree in respect of its Italian subsidiaries.

Although the Group has adopted the model contemplated by Legislative Decree 231/2001, in the event an offense is committed, the Italian judicial authorities could determine that the model adopted was not suitable for preventing the relevant offense, or that it was not effectively implemented, with the result that the Group will be subject to fines or other sanctions, such as a prohibition on contracting with government agencies, accessing state financing, with potential adverse effects on the Group's business, financial condition, results of operations and reputation.

In addition, employees of the Group or other individuals associated with it could become involved in violations of the anti-corruption laws applicable in the different countries where the Group operates, including the U.S. Foreign Corrupt Practices Act as well as Italian law and the laws of the several EU Member States.

The Group has not extended the adoption of the organisation and management model provided by Legislative Decree 231/2001 to its subsidiaries outside of Italy. Although the Group has adopted risk analysis procedures for its foreign subsidiaries and the local laws that apply to them, as well as a global anti-corruption policy applicable to all subsidiaries, the Group has not adopted detailed controls and procedures to apply to its foreign subsidiaries in relation to export controls and sanctions, anti-corruption laws and anti-money laundering. However, notwithstanding these or any future policies or measures the Group may adopt, they

could prove inadequate and the Group may be unable to prevent Group employees, commercial partners and distributors from violating the relevant laws.

In addition to the risks arising from anti-corruption, anti-money laundering and sanctions regulations, trade restrictions, such as embargoes or sanction regimes by the European Union, the United States, the United Nations, other organisations or individual countries, may create obstacles to operations and transactions in the countries in which the Group has current or future operations. The Group, as a global operator, has to comply with trade restrictions imposed by individual countries and other organisations and may face significant government actions and sanctions in case of non-compliance. Although the Group implements procedures in order to avoid any violations of such trade restrictions, any related fines or any other consequences arising from the breach of trade compliance laws and regulations, the Group may be subject to investigations which may result in the imposition of sanctions to the Group. Trade restrictions may be introduced at short notice and may be difficult to anticipate. The introduction of new trade restrictions may limit the ways in which the Group is able to conduct its operations. Moreover, although the products and the products' components of the Group do not currently fall within the scope of application of the Council Regulation (EC) No. 428/2009 of 5 May 2009 (i.e., the EU export control regulation, setting up the regime for the control of exports, transfer, brokering and transit of dual-use items), should the export control regulation be amended, and certain products or products' components be included in the export control regulation's list, this may affect the Group's earnings and have a significant negative impact on the Group's business, results of operations, financial condition and prospects.

Any of the foregoing risks could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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 sustainability, with reference, in particular, to regulations or government programs aimed at obliging and/or incentivising customers (generally through tax incentives or grants) to update 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 the update of hot water products or the relaxation of regulatory requirements relating to greenhouse gas emissions. The cessation of any such incentive programmes could negatively impact demand for the Group's products, as happened, for example, in China, which ended its coal-to-gas subsidies in recent years. If any of these or other changes were to occur, demand for the Group's products could be reduced significantly, which could, in turn, have a material adverse effect on Group's business, financial condition, results of operations and prospects.

Changes in regulation 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 items, energy and water efficiency, environmental emissions, labelling and safety. While the Group believes its products and manufacturing process 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.
In the past, several regulatory requirements and building regulations have affected the industry. In several European countries, for example, the installation of standard efficiency boilers has been progressively limited (or outright forbidden), starting from the UK more in the 2000s, forcing the adoption of high efficiency boilers. Likewise, the heat pump technology (which forms the basis of air conditioning and electric Heating Heat Pump) have seen the progressive evolution of EU legislation, which forbade the use of some refrigerant gas (such as the R22, also known as freon, which was mildly toxic) in favour of more environmentally friendly and less hazardous refrigerant gas (e.g., the R32 or more recently propane). Although the industry has generally been able to absorb the cost deriving from changes in regulation regarding refrigerant gas use and the Group has promptly responded to such changes, new regulations limiting or prohibiting the use of certain gases are recurrent and the Group may face new changes in the future.

A significant shift or change in applicable law, regulation and industry standards could lead to greater regulatory oversight or restrictions and changes to the 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 condition, results of operations and prospects.

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

Group's employees can be exposed in the workplace to different hazards, in particular chemical, ergonomic and physical, which 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 its 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 condition and prospects.

The Group could become subject to liability for environmental law violations, regardless of whether it caused such violations.

The Group could become subject to liability in the form of 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 discharges, 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 liability on tenants, owners or managers for the costs of investigation or remediation of contaminated properties, regardless of fault or the legality of the original disposal. For example, a current or former owner or manager of real property may be liable for the cost of removing or remediating hazardous or toxic substances, waste, or petroleum products on, under, from, or in such property. These costs could be substantial and liability under these laws may attach whether or not the owner or manager knew of, or was responsible for, the presence of such contamination. While the Group encounters environmental issues of an immaterial nature in the ordinary course of its business, the Group is currently not aware of any material environmental liability risk in relation to its property and premises portfolio. However, should the Group fail to comply with existing or proposed environmental laws and regulations in the future, or fail to deal adequately with environmental issues, the Group's reputation may be damaged, and it may be required to pay penalties or fines or take remedial actions.

In addition, third parties may sue the owner or manager of a property for damages based on personal injury, environmental or property damage, violations of environmental laws, or for other costs, including investigation and clean-up costs, resulting from the environmental contamination. The presence of contamination on one of the Group's properties, or the failure to properly remediate a contaminated property, could result in substantial expenditures with respect to the decontamination and adversely affect the Group's ability to sell or lease the property or borrow using the property as collateral. In addition, if the Group's permits are successfully challenged for violations of the environmental laws, this could lead to the suspension or revocation of permits and other enforcement measures that could have the effect of limiting the Group's operations.

There can be no assurance that future laws, ordinances or regulations will not impose any material environmental liability, or that the environmental condition of the Group's properties and premises will not be affected by the operations of the tenants, by the existing condition of the land, by operations in the vicinity of the properties. There can be no assurance that these laws, changes in these laws, or the materialisation of any of the above risks, will not have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

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 expansive 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 the operation of its business, 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, reputational and financial costs.

The Group seeks to ensure that procedures are in place to comply 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 cybertheft. 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 addition, the Group may not have appropriate controls in place currently and may be unable to invest on an ongoing basis to ensure such controls are up-to-date and keep pace with growing threats.

In particular, the Group is subject to the General Data Protection Regulation (EU) 2019/679 (the **GDPR**), which has been in effect since 25 May 2018. The GDPR increased the regulatory burden on the Group, as well as third party providers on which the Group relies, in processing personal customer, employee and other data in the conduct of its business and may also increase the potential sanctions for breach as the GDPR includes significant financial penalties up to the higher of 4% of the annual worldwide turnover of groups companies or €20 million.

While the Group has taken steps to comply with the GDPR, the Group will be required to continue to monitor and implement additional amendments to agreements, controls, procedures and policies in the future to achieve and maintain GDPR compliance (in particular due to expected increase in sale of smart and connected products). Ensuring compliance with the GDPR is an ongoing process and it is possible that, despite the Group's efforts, supervisory authorities or other third parties will assert that the Group's practices do not comply with aspects of the GDPR. If the Group is not fully compliant with its obligations under the GDPR, the Group may be subject to regulatory action or financial penalties, which could also result in adverse publicity and reputational damage.

Any of the foregoing events could result in the Group suffering reputational damage as well as the loss of new or repeat business, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's properties may be subject to state authorities exercising their right of expropriation or directing a compulsory purchase.

Under certain circumstances, the Group's properties may be subject to expropriation, for example to complete public works, redevelopment or infrastructure projects. Typically, compensation must be paid to the owner of the property; however, there can be no assurance that compensation in respect of any expropriation will be adequate in all circumstances. This risk is more significant in certain areas where the markets in which the Group operates are less mature (i.e. the legal framework in such areas

is at a different stage of development compared to countries with established market economies), such as Asia (e.g., Vietnam, China and India).

Such events could reduce the Group's revenues and the value of its property portfolio, which could have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

The Group is subject to taxation in multiple jurisdictions which often requires subjective interpretation and determinations and could expand into jurisdictions with less favourable 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 condition 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. Any significant failure to comply with applicable tax laws and regulations in all relevant jurisdictions could give rise to substantial penalties and liabilities.

Changes in tax laws or regulations increase tax uncertainty, could have a prospective or retroactive application to the Company and holders of Ordinary Shares and could have a negative impact on the Company's effective tax rate or tax payments, any of which could materially adversely impact the Company's business, financial condition or results of operations

The Group's growth strategy also includes organic and inorganic (through mergers and acquisitions) growth in new geographies and the source of profits across different jurisdictions may change over time towards jurisdictions with higher tax rates or less favourable tax regimes for calculating the tax base. This in turn could increase the Group's effective tax rate.

More generally, the Company may become taxable in a jurisdiction other than Italy which could increase its aggregate tax burden. The Company has had its place of effective management in Italy as from the date of its incorporation. As of the date of the Redomiciliation of the Company, the Company's intention has been, and shall continue to be, to have on a continuous basis its place of effective management in Italy. The Company will therefore be a tax resident of Italy under Italian tax law. As the Company is a Dutch legal entity, the Dutch tax authorities may also consider the Company a Dutch tax resident. However, based on the intended management structure and the current applicable income tax treaty between the Netherlands and Italy and current interpretations thereof, the Company should be deemed to be a tax resident solely in Italy. However, the applicable tax laws or interpretations thereof may change. Furthermore, whether the Company has its place of effective management in Italy and is as such tax resident in Italy is largely a question of fact and degree based on all the circumstances, rather than a question of law, which facts and degree may also change. Changes to applicable laws or interpretations thereof and changes to applicable facts and circumstances (e.g., a change of board members or the place where board meetings take place), may result in the Company becoming a tax resident of a jurisdiction other than Italy, potentially also triggering an exit tax liability in Italy. As a consequence, the Company's overall effective income tax rate and income tax expense could materially increase, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

Any of the foregoing risks could subject the Group to additional or increased tax payments and reported tax expense and in turn have a material adverse effect on its business, results of operations, financial condition and prospects.

Taxing authorities could reallocate the Group's taxable income among any current or future affiliates, which could increase its overall tax liability

The Group conducts operations through subsidiaries in various tax jurisdictions pursuant to transfer pricing arrangements between the Group and such various subsidiaries. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arms' length and that appropriate documentation is maintained to support the transfer prices. While the Group believes that it currently operates in compliance with applicable domestic and applicable international transfer pricing laws and intends to continue to do so, it cannot exclude the possibility that one or more foreign tax authorities may not agree with, and thus may challenge, any transfer pricing practices or procedures the Group implements now or in the future, and that applicable transfer pricing laws may change adversely to its business. If any tax authorities were to successfully challenge the Group's transfer prices as not reflecting arms' length transactions, they could require the Group to adjust its transfer prices and thereby reallocate its income to reflect these revised transfer prices, which could result in higher tax liabilities, penalties or double taxation in two countries. In addition, the Group's documentation may be considered to be insufficient by the relevant tax authorities which may also result in penalties and additional tax payments. If tax authorities were to allocate income to a tax jurisdiction with a higher aggregated tax burden, subject the Group's income to double taxation or assess interest and penalties, it would increase the

Group's consolidated tax liability, which could adversely affect its business, financial condition, results of operations and prospects.

Risks relating to the Ordinary Shares

As a result of the Company's dual-class share structure with different voting rights, the controlling shareholder – Merloni Holding S.p.A. - will be in a position to exert substantial influence over the Company.

The Company has a dual-class share structure aimed at strengthening the continuity of the Company's governance and strategy such that the Company's share capital consists of Ordinary Shares and Multiple Voting Shares (together, the **Shares**). Holders of Ordinary Shares will be entitled to one vote per share, while holders of Multiple Voting Shares will be entitled to twenty votes per share, such that the maximum number of voting rights to be cast by a shareholder will be the greater of (a) two times the total number of Ordinary Shares issued and outstanding at the record date of a General Meeting and (b) nine times the total number of 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 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 (the **Voting Limitation**). Each Multiple Voting Share is convertible into one Ordinary Share at any time by the holder thereof, while Ordinary Shares are not convertible into Multiple Voting Shares under any circumstances. All Multiple Voting Shares are held by the Selling Shareholders with Merloni Holding S.p.A. (an Italian company controlled by Paolo Merloni) (**Merloni Holding**) being the holder of 88% of the total Multiple Voting Shares. For a description of the Company's share capital, see "*Description of Share Capital and Corporate Structure"*.

Immediately after Settlement, Merloni Holding will continue to be the Company's largest shareholder and will hold up to approximately 64.59% of the Company's issued and outstanding Shares and will be able to exercise 80.38% of the aggregate voting rights (assuming the Offer Price is set at the mid-point of the Offer Price Range, full exercise of the Over-Allotment Option and application of the Voting Limitation). Amaranta S.r.l. (an Italian company controlled by Maria Francesca Merloni) (**Amaranta**) will, immediately after Settlement, hold up to approximately 8.81% of the Company's issued and outstanding Shares and will be able to exercise 10.96% of the aggregate voting rights (assuming the Offer Price is set at the mid-point of the Offer Price Range, full exercise of the Over-Allotment Option and application of the Voting Limitation). The percentages of voting rights indicated above reflect the application of the Voting Limitation. Without such limitation, the percentages of voting rights held by Merloni Holding and Amaranta would be equal to 86.34% and 11.77%, respectively, (assuming the Offer Price is set at the mid-point of the Offer Price Range and full exercise of the Over-Allotment Option). So long as the Selling Shareholders will maintain their Multiple Voting Shares, they will be able to jointly exercise such number of voting rights equal to 9 times the total number of issued and outstanding Ordinary Shares until the Voting Limitation will no longer be applicable. Please also see "*—Holders of Ordinary Shares have lower voting rights than holders of Multiple Voting Shares, which may impact the trading price of the Offer Shares as well as control over the Company*".

For the foreseeable future, as a result of the dual-class share structure and the concentration of ownership, Merloni Holding will continue to be able to control or substantially influence matters requiring approval by the Company's general meeting (*algemene vergadering*) (being the corporate body, or where the context so requires, the physical meeting of shareholders, the **General Meeting**), including the appointment and dismissal of members of the board of the Company (each a **Director** and together the **Board**), Directors' remuneration, dividend distributions, the amendment of the Company's articles of association, capital increases, mergers and consolidations, even where Merloni Holding holds less than 50% of the Ordinary Shares. In addition, Merloni Holding might not be prevented from pursuing large acquisitions and mergers against a payment in Ordinary Shares given the limited effects of dilutive transactions on Merloni Holding's voting power. The dual-class share structure and the concentration of ownership may also influence shareholder initiatives aimed at changing the Company's management or strategy and may discourage, delay, postpone or prevent others from initiating any potential merger, takeover or other change of control transaction, which could have the effect of depriving the holders of Ordinary Shares of the opportunity to receive a premium for their Ordinary Shares as part of a sale of the Company with a consequent decrease in the price of the Ordinary Shares.

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. This concentrated control will limit the ability to influence corporate matters that holders of Ordinary Shares may view as beneficial. The Company's 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.

Further, for so long as Merloni Holding continues to hold more than 30% of the voting rights in the Company, it may increase such participation in the voting capital without any obligation under the Dutch takeover laws and regulations to make a public offer for all the Ordinary Shares that it does not already own. See "*Description of Share Capital and Corporate Structure—Obligations of shareholders to make a public offer*".

The payment of any future dividends will depend on the Group's financial condition and results of operations as well as on the Company's operating subsidiaries' distributions to the Company.

Subject to the limitations described under "*Dividends and Dividend Policy—Dividend policy*", the Company is targeting a dividend pay-out ratio of approximately 33% of the Group's net profit attributable to shareholders in the immediately preceding financial year.

Furthermore, the ability and intention of the Company to declare and pay any dividends in the future: (i) will mainly depend on its financial position, results of operations, investment prospects, the existence of distributable reserves and available liquidity, legal and contractual limitations on the payment of dividends and such other factors as the Board may deem relevant, and (ii) may be impacted by changes in legislation that are beyond the Company's control.

If the Company does decide to pay dividends in the future, a distribution of dividends may only take place after the approval of the financial statements by the General Meeting that show that the distribution is allowed, or, in the case of an interim dividend, if it appears from an interim statement of assets signed by the Board that the Company's equity does not fall below the sum of called-up and paid-up share capital and any statutory reserves. The Company may only make distributions to its shareholders insofar as the Company's equity exceeds the sum of the paid-up and called-up share capital increased by the reserves as required to be maintained by Dutch law or by its articles of association. The Board may furthermore determine that profit, in whole or in part, will be added to the reserves. The Board determines whether the Company is able to make the distributions.

In addition, as the Company is a holding company, its principal assets are the equity interests it directly or indirectly holds in its operating subsidiaries. Though the Company also provides business and financial services to group companies including cash pooling services and financing, the revenues at arm's length from these services are limited. As a result, the Company's ability to pay dividends will depend directly on distributions and other payments from such subsidiaries to the Company. Any such distributions may be materially and adversely impacted if the Company's operating subsidiaries' profitability suffers. The amount and timing of such distributions will furthermore depend on the laws of such subsidiaries' respective jurisdictions and on any other restrictions on such subsidiaries' ability to pay dividends to the Company. Further, given that the Ordinary Shares are, and any dividends to be paid in respect of them will be, denominated in euro, an investment in the Ordinary Shares by an investor whose principal currency is not the euro in addition exposes the investor to foreign currency exchange rate risk. In addition, such investors could incur additional transaction costs in converting the euro into another currency. Investors whose reference currency is a currency other than the euro are therefore urged to consult their financial advisers. Any of these factors, individually or in combination, could restrict the Company's ability to pay dividends and therefore could negatively impact the market price of the Ordinary Shares.

Future equity offerings by the Company or offerings of a substantial number of Ordinary Shares by the Selling Shareholders, or the perception thereof, may adversely affect the market price of the Ordinary Shares.

The Company and the Selling Shareholders have agreed with the Underwriters, pursuant to an underwriting agreement dated 17 November 2021 (the **Underwriting Agreement**), to restrictions on their ability to issue, sell or transfer Ordinary Shares for a period of 180 days after the Settlement Date. After the expiration of the applicable lock-up period, the Selling Shareholders may sell their respective Ordinary Shares, and the Company may issue new Ordinary Shares. In addition, the Joint Global Coordinators have full discretion to waive the lock-up restrictions in connection with the Selling Shareholders and the Company at any time before its expiry. This could also result in the Selling Shareholders selling, and the Company selling or issuing, Ordinary Shares in the public market before expiry of the applicable lock-up periods. In addition, there could also be a perception in the market that any such sale or issuance could occur due to the expiry of the relevant lock-up period or its waiver. See "*Plan of Distribution—Lock-up arrangements*". The market price of the Ordinary Shares could decline if, following the Offer and after the expiration of the lock-up period (or any waiver of lock-up restrictions by the Joint Global Coordinators), a substantial number of Ordinary Shares are sold by the Selling Shareholders or sold or issued by the Company, or if there is a perception that such a sale or issuance could occur. In addition, any sales of Ordinary Shares by Selling Shareholders could make it more difficult for the Company to raise capital through the issuance of equity securities in the future.

Future issuances may dilute investors' shareholdings.

The Company may in the future, subject to the lock-up arrangements in the Underwriting Agreement, seek to raise capital through public or private equity financings by issuing additional Ordinary Shares, debt or equity securities convertible into Ordinary Shares or rights to acquire these securities and exclude the pre-emptive rights pertaining to the then outstanding Ordinary Shares. Any additional capital raised through the issue of additional Ordinary Shares may dilute an investor's shareholding interest in the Company. In the event of an increase in the Company's share capital, shareholders are generally entitled to full pre-emptive rights unless these rights are limited or excluded either by virtue of Dutch law, a resolution of the General Meeting upon the proposal of the Board or by a resolution of the Board if the Board has been designated by the General Meeting. Pursuant to the articles of association as they will become effective immediately prior to Settlement (the **Articles of Association**), the Board is however authorised, for a period of five years following Settlement, to exclude or limit pre-emptive rights in relation to any issues of Ordinary Shares and rights to subscribe for Ordinary Shares up to the limit set by the Company's authorised share capital, which means that such pre-emptive rights can be excluded without further authorisation by the General Meeting being required.

In addition, certain shareholders outside the Netherlands may not be able to exercise pre-emptive or equivalent rights, and therefore suffer dilution, unless local securities laws have been complied with. In particular, U.S. shareholders may not be able to exercise their pre-emptive rights or participate in a rights offer, as the case may be, unless a registration statement under the U.S. Securities Act is effective with respect to such rights and the Ordinary Shares or an exemption from the registration requirements is available. In such cases, shareholders resident in such jurisdictions may experience dilution of their holding of Ordinary Shares, possibly without such dilution being offset by any compensation received in exchange for subscription rights. The Company cannot assure investors that any registration statement would be filed so as to enable the exercise of such holders' pre-emptive rights or participation in a rights offer.

The Group may not be able to raise sufficient funds in the future, which may affect its performance.

Although the Group has funded its operations since inception primarily through its cash flow generation and limited incurrence of debt financing and is currently able to generate sufficient cash to fund its ongoing operations, there is no guarantee that the Group will be able to continue to do so in the future. In the future, the Group may require additional capital for potential acquisitions (see "*Reasons for the Offer and Use of Proceeds—Use of proceeds*") or to respond to business opportunities, refinancing needs, regulatory requirements, or unforeseen circumstances and may decide to engage in equity or debt financings or enter into credit facilities for reasons related to its financial management, and the Group may not be able to secure any such debt or equity financing or refinancing on terms satisfactory to it, in a timely manner, or at all. The Company may, for these and other purposes, issue additional Shares, debt or equity securities convertible into Shares or rights to acquire these securities, and the Company's existing shareholders may not always have the right to acquire additional Shares on a pro-rata basis. As a result, existing holders of shares may suffer dilution in their percentage ownership of the Company. Any additional offering or issuance of Shares by the Company, or the perception that an offering or issuance may occur, could have a negative impact on the market price of the Shares and could increase the volatility in the market price of the Shares.

Even if the Group were able to secure financing without the issuance of equity or debt, any debt financing obtained by the Group in the future could also involve restrictive covenants (such as a negative pledge) or arrangements (such as required use of escrow accounts) relating to the Group's capital-raising activities and other financial and operational matters impacting the ordinary management of the business (such as a limitation in the carrying out of extraordinary transactions) which may make it more difficult for the Group to obtain additional capital and to pursue business opportunities, including potential acquisitions and may also restrict the payment of dividends.

***The price of the Ordinary Shares and trading volume could decline if securities or industry analysts do not publish research about the Group's business*.**

Equity research analysts do not currently provide coverage of the Ordinary Shares and they may not provide research coverage of the Ordinary Shares after the admission to trading of the Ordinary Shares on Euronext Milan. A lack of adequate research coverage may harm the liquidity and trading price of the Ordinary Shares. To the extent equity research analysts do provide research coverage of the Ordinary Shares, the Group will not have any control over the content and opinions included in their reports.

In addition to withholding Italian withholding tax on dividends distributed by the Company on the Ordinary Shares, the Company may also have to withhold Dutch dividend withholding tax on such dividend distributions.

Since the Redomiciliation, the Company is governed by Dutch law. It cannot be excluded that the Company should withhold Dutch dividend withholding tax on dividend distributions to its Dutch resident shareholders (or non-Dutch residents with a permanent establishment in the Netherlands to which the Ordinary Shares are attributable), even though it is the Company's intention to have, on a continuous basis, its place of effective management in Italy.

An advance tax ruling (**ATR**) request has been submitted to the Dutch tax authorities by the Company, whereby the Company is requesting certainty in advance on the Dutch dividend withholding tax consequences of dividend distributions to holders of the Ordinary Shares. It is not clear if and when the ATR could be expected at this point in time. Should this confirmation not be obtained, and should the Company be under the obligation to withhold Dutch dividend withholding tax on dividend distributions to its Dutch resident shareholders, it will be required to identify its shareholders in order to assess whether there are Dutch residents (or non-Dutch residents with a permanent establishment in the Netherlands to which the Ordinary Shares are attributable) in respect of which Dutch dividend withholding tax has to be withheld. Such identification is generally not possible in practice. If the identity of the shareholders cannot be assessed upon a dividend distribution, withholding of both Italian and Dutch dividend withholding tax (at a rate of 15%) from such dividend distributions may occur. See "*Taxation—Taxation in the Netherlands*" for a description of the circumstances in which it may be possible for non-Dutch residents (other than non-Dutch residents with a permanent establishment in the Netherlands to which the Ordinary Shares are attributable) to reclaim such dividend withholding tax.

Dividends distributed by the Company on the Ordinary Shares to certain related parties in low-tax jurisdictions might in the future become subject to an additional Dutch withholding tax on dividends.

The Dutch government adopted a legislative proposal introducing an additional Dutch withholding tax on dividends paid (i) to group entities in jurisdictions that have a corporate income tax rate below 9%, (ii) to group entities in jurisdictions that are included on the EU's blacklist of non-cooperative jurisdictions or (iii) in certain abusive situations, effective 1 January 2024. Abuse under (iii) is in any case assumed if the recipient of the dividend payments (i) is interposed with the main purpose or one of the main purposes to avoid withholding tax of another person and (ii) the recipient is part of an artificial structure that lacks economic rationale. The additional Dutch withholding tax rate will be equal to the highest Dutch corporate income tax rate (currently set at 25%) at the time of the dividend payment. At the same time, the current Dutch dividend withholding tax regime remains in place. However, if the dividend withholding tax and the additional Dutch withholding tax on dividends cumulate, the additional Dutch withholding tax stipulates that the additional Dutch withholding tax will be reduced by the dividend withholding tax levied. As a result, if the shareholder being a related entity (i) is established or has a permanent establishment in a jurisdiction that has a corporate tax rate below 9% or in a jurisdiction included on the EU's blacklist of non-cooperative jurisdictions, (ii) is a hybrid entity or a reverse hybrid entity or (iii) is interposed to avoid tax otherwise due by another entity, the tax rate on dividends may rise from 15% to the highest Dutch corporate income tax rate (currently set at 25%). For these purposes, an entity is considered a related entity if such entity has a Qualifying Interest (as defined below) in the Company or if a third party has a Qualifying Interest in both such entity and in the Company. The term Qualifying Interest means a directly or indirectly held interest – either individually or jointly as part of a collaborating group (*samenwerkende groep*) – that confers a definite influence over the company's decisions and allows the holder of such interest to determine its activities (within the meaning of case law of the European Court of Justice on the freedom of establishment (*vrijheid van vestiging*)).

An ATR request has been submitted to the Dutch tax authorities by the Company, whereby the Company is requesting certainty in advance on the additional Dutch withholding tax on dividends consequences of dividend distributions to holders of the Ordinary Shares.

The rights and responsibilities of a shareholder in the Company are governed by Dutch law and will differ in some respects from the rights and obligations of shareholders under the laws of other jurisdictions and shareholder rights under Dutch law may not be as clearly established as the rights of a shareholder under the laws of other jurisdictions.

The Company is governed by the laws of the Netherlands. Accordingly, the Company's corporate structure as well as the rights and obligations of the shareholders may be different from the rights and obligations of shareholders of companies incorporated or organised under the laws of other jurisdictions. For example, resolutions of the General Meeting may be taken with majorities different from the majorities required for adoption of equivalent resolutions in companies organised under the laws of other jurisdictions. Additionally, in fulfilling their responsibilities, the Directors must act in the interest of the Company and the business connected with it, and give specific attention to the relevant interests of all of the Company's stakeholders, which, in addition to shareholders, include clients, employees, lenders and suppliers. Any action to contest any of the Company's corporate actions must be filed with, and will be reviewed by, a Dutch court, in accordance with Dutch law. As such, the exercise of certain shareholders' rights by shareholders outside the Netherlands may be more costly than the exercise of rights in a company organised under the laws of other jurisdictions.

Risks relating to the Offer and the Offer Shares

Holders of Ordinary Shares have lower voting rights than holders of Multiple Voting Shares which may impact the trading price of the Offer Shares as well as control over the Company.

Holders of Ordinary Shares and holders of Multiple Voting Shares, i.e. Merloni Holding and Amaranta, have different voting rights.

Immediately after Settlement, Merloni Holding will hold approximately 64.59% of the Company's issued and outstanding Shares and will be able to exercise 80.38% of the aggregate voting rights (assuming the Offer Price is set at the mid-point of the Offer Price Range, full exercise of the Over-Allotment Option and application of the Voting Limitation); as such, Merloni Holding will have a simple majority and two-thirds majority (for special resolutions) of the votes and will be in a position to control the outcome of the vote even if the matter involves a conflict of interest among the shareholders or has a greater impact on one holders of Ordinary Shares than the holders of Multiple Voting Shares. Amaranta will hold, immediately after Settlement, approximately 8.81% of the Company's issued and outstanding Shares and will be able to exercise 10.96% of the aggregate voting rights (assuming the Offer Price is set at the mid-point of the Offer Price Range, full exercise of the Over-Allotment Option and application of the Voting Limitation). Pursuant to the Articles of Association, a shareholder casting a number of votes exceeding two times the total number of Ordinary Shares issued and outstanding at the record date of a General Meeting may never cast a number of votes on its Shares exceeding the greater of (a) two times the total number of Ordinary Shares issued and outstanding at the record date of a General Meeting and (b) nine times the total number of 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 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.

The free float of the Company will be approximately 23.23% of the Shares (assuming the Offer Price is set at the mid-point of the Offer Price Range and no exercise of the Over-Allotment Option) and 26.60% if the Over-Allotment Option is exercised in full (assuming the Offer Price is set at the mid-point of the Offer Price Range).

Merloni Holding is controlled by Paolo Merloni, who is the executive chair of the Company, and Amaranta 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. Please also see "*—As a result of the Company's dual-class share structure with different voting rights, the controlling shareholder – Merloni Holding S.p.A - will be in a position to exert substantial influence over the Company*". In addition, Merloni Holding and Amaranta entered into a shareholders' agreement whereby Merloni Holding undertakes to procure that 1 person selected by Amaranta is appointed as board member of the Company. Please also see "*Shareholders and Related Party Transactions*" Merloni Holding and Amaranta currently intend to hold their Shares for the long-term.

Merloni Holding will have control over the outcome of shareholder votes and decision-making. As only the Ordinary Shares will be listed on Euronext Milan, the value of the Shares may be adversely affected given this distribution of voting rights and control. See also "*Description of Share Capital and Corporate Structure*".

There is currently no public trading market for the Ordinary Shares and there is a risk that no active and liquid market for the Ordinary Shares will develop and that the price of the Ordinary Shares may be volatile.

Until trading on Euronext Milan commences, which is expected on 26 November 2021, subject to acceleration and extension of the timetable for the Offer, there is no public trading market for the Ordinary Shares. There can be no assurance that an active trading market for the Ordinary Shares will develop after the Offer is consummated or, if it does develop, that it will be sustained or liquid. If an active market fails to develop or be sustained, investors may not be in a position to sell their Ordinary Shares

quickly or at the market price. In addition, an illiquid market for the Ordinary Shares may result in lower market prices and increased price volatility, which could materially adversely affect the value of an investment in the Ordinary Shares.

The Offer Price may not be indicative of the market price for the Ordinary Shares after the Offer has completed. The market price of the Ordinary Shares could also fluctuate substantially due to various factors, some of which could be specific to the Company and its operations and some of which could be related to the industry in which the Company operates or equity markets generally. As a result of these and other risk factors, the Ordinary Shares may trade at prices significantly below the Offer Price.

IMPORTANT INFORMATION

General

This Prospectus has been approved by the AFM, as competent authority under the Prospectus Regulation, on 17 November 2021. The AFM only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Offer Shares. The AFM will notify ESMA and the competent authority of Italy, Consob, for passporting in accordance with Articles 24 and 25 of the Prospectus Regulation.

The validity of this Prospectus will expire on the earlier of (i) the First Trading Date and (ii) 12 months from the date of this Prospectus provided that it is completed by any supplement if required pursuant to Article 23 of the Prospectus Regulation. The obligation to supplement a prospectus in the event of significant new factors, material mistakes or material inaccuracies shall cease to apply when this Prospectus is no longer valid (see "—*Supplements*").

Prospective investors should only rely on the information contained in this Prospectus, the Pricing Statement and any supplement to this Prospectus within the meaning of Article 23 of the Prospectus Regulation. The Company does not undertake to update this Prospectus, unless required pursuant to Article 23 of the Prospectus Regulation, and therefore prospective investors should not assume that the information in this Prospectus is accurate as at any date other than the date of this Prospectus. No person is or has been authorised to give any information or to make any representation in connection with the Admission and the Offer, other than as contained in this Prospectus. If any information or representation not contained in this Prospectus is given or made, the information or representation must not be relied upon as having been authorised by the Company, the Selling Shareholders, the Underwriters, the Sponsor or any of their respective affiliates or representatives. Neither the delivery of this Prospectus nor any issuance or sale of Offer Shares made hereunder at any time after the date of this Prospectus shall, under any circumstances, imply that there has been no change in the Company's business or affairs since the date of this Prospectus or that the information set forth in this Prospectus is correct as of any date subsequent the date hereof.

Prospective investors are expressly advised that an investment in Offer Shares entails risks and that they should therefore carefully read and review the entire Prospectus. Prospective investors should not just rely on key information or information summarised within this Prospectus. Prospective investors should, in particular, read the section entitled "*Risk Factors*" when considering an investment in the Offer Shares. A prospective investor should not invest in Offer Shares unless it has the expertise (either alone or with a financial adviser) to evaluate how the Offer Shares will perform under changing conditions, the resulting effects on the value of the Offer Shares and the impact this investment will have on the prospective investor's overall investment portfolio. Prospective investors should also consult their tax advisers as to the tax consequences of the purchase, subscription, ownership and disposal of the Offer Shares.

The content of this Prospectus should not be construed as business, legal or tax advice. This Prospectus should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholders, the Underwriters, the Sponsor or any of their respective representatives that any recipient of this Prospectus should purchase, or subscribe for, any Offer Shares. None of the Company, the Selling Shareholders, the Underwriters, the Sponsor or any of their respective representatives is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws and regulations applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

Prospective investors should consult their own professional advisers before making any investment decision with regard to the Offer Shares, among other things, to consider such investment decision in light of their personal circumstances and in order to determine whether or not such prospective investor is eligible to purchase, or subscribe for, Offer Shares. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks involved.

No representation or warranty, express or implied, is made or given, and no responsibility is accepted, by, or on behalf of, any of the Underwriters, the Sponsor or any of their respective affiliates or representatives, or their respective directors, officers or employees or any other person, as to the accuracy, fairness, reasonableness or completeness of the information or opinions contained in this Prospectus, or incorporated by reference in it, and nothing in this Prospectus, or incorporated by reference in it, is, or shall be relied upon as, a promise or representation in this respect by any of the Underwriters, the Sponsor or any of their respective affiliates or representatives, or their respective directors, officers or employees or any other person, whether as to the past or future. None of the Underwriters, the Sponsor or any of their respective affiliates or representatives, or their respective directors, officers or employees or any other person in any of their respective capacities in connection with the Admission and the Offer, accepts any responsibility whatsoever for the accuracy, fairness, completeness or reasonableness of the contents of this Prospectus or for any other statements made or purported to be made by either itself, or on its behalf, in connection with the Company, the Group, the Selling Shareholders, the Admission, the Offer or the Offer Shares. Accordingly, each of the Underwriters, the Sponsor and their respective affiliates or representatives, or their respective directors, officers or employees or any other person disclaim, to the fullest extent permitted by applicable laws and regulations, all and any liability, whether arising in tort or contract or which they might otherwise be found to have in respect of this Prospectus or any such statement.

Although the Underwriters are party to various agreements pertaining to the Offer and each of the Underwriters has or might enter into a financing or other arrangement with the Company, this should not be considered as a recommendation by any of them to invest in Offer Shares.

Each of the Underwriters and the Sponsor is acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Admission and the Offer. None of them will regard any other person (whether or not a recipient of this Prospectus) as their respective client in relation to the Admission or the Offer and will not be responsible to anyone other than the Company and the Selling Shareholders for providing the protections afforded to their respective clients or for giving advice in relation to the Admission, the Offer or any transaction or arrangement referred to in this Prospectus.

The Offer and the distribution of this Prospectus, any related materials and the offer, acceptance, delivery, transfer, exercise, purchase of, subscription for, or trade in, Offer Shares may be restricted by law in jurisdictions and therefore persons into whose possession this Prospectus comes should inform themselves and observe any restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Prospectus may not be used for, or in connection with, and does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to acquire Offer Shares in any jurisdiction in which such an offer or solicitation is unlawful or would result in the Company becoming subject to public company reporting obligations outside the Netherlands and Italy. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. No action has been taken or will be taken in any jurisdiction by the Company, the Selling Shareholders or the Underwriters that would permit a public offering of the Offer Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the Offer Shares, in any jurisdiction where action for that purpose is required. None of the Company, the Board, any of the Selling Shareholders or any of the Underwriters and the Sponsor accepts any responsibility for any violation by any person, whether or not such person is a prospective investor in the Offer Shares, of any of these restrictions. See "*Selling and Transfer Restrictions*" for further information on these restrictions.

Each of the Company, the Selling Shareholders and the Underwriters reserves the right in their own absolute discretion to reject any application to purchase, or subscribe for, Offer Shares that the Company, the Selling Shareholders, the Underwriters or their respective agents believe may give rise to a breach or violation of any laws, rules or regulations.

Each person receiving this Prospectus acknowledges that: (i) such person has not relied on an Underwriter or any person affiliated with an Underwriter in connection with any investigation of the accuracy of any information contained in this Prospectus or its investment decision; (ii) it has relied only on the information contained in this Prospectus; and (iii) no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Offer Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Selling Shareholders or the Underwriters.

In connection with the Offer, each of the Underwriters and any of their respective affiliates may take up a portion of the Offer Shares in the Offer as a principal position and, in that capacity, may retain, purchase, subscribe for, or sell for its own account such securities and Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offer. Accordingly, references in this Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, each of the Underwriters and any of their affiliates may enter into financing arrangements (including contracts for differences, swaps or warrants) with investors in connection with which each of the Underwriters and any of their affiliates may from time to time acquire, hold or dispose of Offer Shares. None of the Underwriters or their affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Responsibility statement

This Prospectus is made available by the Company. The Company accepts full responsibility for the information contained in this Prospectus. The Company declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and makes no omission likely to affect its import.

Presentation of financial and other information

Historical financial information

Unless otherwise indicated, financial information contained in this Prospectus has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (**IFRS**).

This Prospectus contains (i) the English translation of the audited consolidated financial statements as at and for the years ended 31 December 2020, 2019 and 2018 prepared in accordance with IFRS of Ariston Thermo Holding S.p.A. (old), the Company's predecessor, beginning on page F-37 of this Prospectus (the **Annual Financial Statements**), and (ii) the unaudited condensed consolidated interim financial statements as at and for the nine months ended 30 September 2021 prepared in accordance with IFRS applicable to interim reporting (IAS34), beginning on page F-2 of this Prospectus (the **Interim Financial Statements** and together with the Annual Financial Statements, the **Financial Statements**). The Financial Statements should be read in conjunction with the accompanying notes thereto.

The consolidated income statement of the Company's predecessor for the year ended 31 December 2019 presented in this Prospectus have been derived from the corresponding comparative column of the consolidated financial statements as at and for the years ended 31 December 2020 (and not from the consolidated financial statements of the Company's predecessor for the year ended 31 December 2019). These comparatives include a reclassification between certain items (i.e. "Other Income", "Personnel cost", "Provisions and write-down" and "Other operating expenses") to improve comparability with the corresponding 2020 numbers.

The Annual Financial Statements have been audited by EY S.p.A. (**EY Italy**), as stated in the English translation of their reports appearing herein. The Interim Financial Statements have been reviewed by EY Italy, as stated in their review report appearing herein. EY Italy's registered office is Via Lombardia 31, 00187 Rome, Italy, and it is registered under No. 70954 in the Register of Accountancy Auditors (*Registro dei Revisori Legali*) held by the Italian Ministry of Economy and Finance in compliance with the provision of Legislative Decree No. 39, 27 January 2010.

The Annual Financial Statements in Italian and the independent auditors' reports in Italian are not included or incorporated by reference in this Prospectus.

The annual financial statements as at and for the year ending 31 December 2021 will be audited by Ernst & Young Accountants LLP, whose principal place of business is at Boompjes 258, 3011 XZ Rotterdam, the Netherlands. Ernst & Young Accountants LLP is registered with the Dutch trade register under number 24432944. The registered accountants (*registeraccountants*) of Ernst & Young Accountants LLP are members of the Royal Netherlands Institute of Chartered Accountants (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*) (**NBA**). The NBA is the professional body for accountants in the Netherlands.

Definitions of Non-IFRS Measures

This Prospectus contains alternative performance measures as defined by the "ESMA Guidelines on Alternative Performance Measures" issued by ESMA on 5 October 2015 (**APMs**) which are non-IFRS measures (**Non-IFRS Measures**) and have not been subject to audit or review. Non-IFRS Measures are not liquidity or performance measures under IFRS and are not prepared in accordance with IFRS and include:

- income statement metrics: EBITDA, Adjusted EBITDA, EBITDA Margin, Adjusted EBITDA Margin, EBIT, Adjusted EBIT, EBIT Margin, Adjusted EBIT Margin and Adjusted Net Result;
- balance sheet metrics: Net Working Capital, Net Financial Indebtedness, Net Financial Position and Net Capital Employed;
- ratios and other metrics: Free Cash Flows, ROE, ROI, Adjusted ROI, ROS, Adjusted ROS, Net Working Capital Turnover and Cash Conversion.

The Group has included the Non-IFRS Measures because it believes that such measures enable it to assess the performance of its business in and across multiple markets and provide investors with additional information to enhance understanding of the Group's results. These Non-IFRS Measures are based on a number of complex assumptions, internal and third-party estimates, market studies and other business data, and have not been subject to audit or review. While the Group believes its assumptions and the data underlying its estimates and key performance indicators are reasonable, there are inherent challenges in measuring such information. The conditions supporting the Group's assumptions or estimates may change at any time, and as a result, the assumptions and estimates upon which the Non-IFRS Measures are based may not be correct. For these reasons, Non-IFRS Measures used should not be considered as an alternative to profit (loss), revenue or any other performance measure derived in accordance with IFRS or to net cash provided by operating activities as a measure of liquidity. Non-IFRS Measures have limitations as analytical tools over and above the limitations of any IFRS performance measures and should not be considered in isolation or as substitutes for analysis of the Group's results as reported under IFRS. Such Non-IFRS Measures may include or exclude amounts that are included or excluded, as applicable, in the calculation of the most directly comparable measures in accordance with IFRS. Their usefulness is therefore subject to limitations, which are described below. In particular, other companies in the industry may define the Non-IFRS Measures used herein, differently, which may make it difficult to compare the performance of these entities to the Group's performance based on similarly named measures. In addition, the exclusion of certain items from Non-IFRS Measures does not imply that these items are necessarily non-recurring. From time to time, the Group may exclude additional items if it believes doing so would result in a more transparent and comparable disclosure.

Non-IFRS Measures should be considered in conjunction with the Financial Statements prepared in accordance with IFRS. Although certain of these measures have been extracted or derived from the Financial Statements, this data has not been audited or reviewed by the Group's independent auditors. The following discussion provides definitions of Non-IFRS Measures.

The following discussion provides definitions of Non-IFRS Measurers. For reconciliation of these Non-IFRS Measures to their most directly comparable IFR measures, see "*Selected Financial and Other Information—Non-IFRS Measures and other metrics*".

EBITDA and EBITDA Margin

EBITDA is defined as net profit for the period excluding income taxes, net financial expenses, other profit (loss) on investments, depreciation and amortisation.

The Company presents EBITDA because management believes it is a meaningful measure to evaluate the Group's operating performance on a consistent basis over time. EBITDA makes the underlying performance of the Group's business more visible by factoring out depreciation, amortisation, interest income and interest expenses and income tax expenses. This measure is also commonly used by investors, analysts and rating agencies to assess performance.

EBITDA Margin for a given period consists of EBITDA for that period divided by revenues for the same period, and is used by the Group as a supplemental measure of operating performance.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA is defined as EBITDA adjusted for Special Items, as defined below.

The Company presents Adjusted EBITDA because it excludes items that the Company does not believe are indicative of the Group's ongoing operating performance and allows management to view operating trends, perform analytical comparisons and benchmark performance between periods. Management believes that adjusting for these items that are not directly related to the operational performance of the Group and its geographical regions and businesses increases comparability and enables a better understanding of the underlying performance of the Group.

Adjusted EBITDA Margin for a given period consists of Adjusted EBITDA for that period divided by revenues for the same period.

EBIT and EBIT Margin

EBIT is defined as net profit for the period excluding income taxes, net financial expenses, other profit (loss) on investments.

The Company presents EBIT because management believes it is a meaningful measure to evaluate the Group's operating performance on a consistent basis over time. EBIT makes the underlying performance of the Group's business more visible by factoring out interest income and interest expense and income tax expenses. This measure is also commonly used by investors, analysts and rating agencies to assess performance.

EBIT Margin for a given period consists of EBIT for that period divided by revenues for the same period, and is used by the Group as a supplemental measure of operating performance.

Adjusted EBIT and Adjusted EBIT Margin

Adjusted EBIT is defined as EBIT adjusted for Special Items, as defined below.

The Company presents Adjusted EBIT because it excludes items that the Company does not believe are indicative of the Group's ongoing operating performance and allows management to view operating trends, perform analytical comparisons and benchmark performance between periods. Management believes that adjusting for these items that are not directly related to the operational performance of the Group and its geographical regions and businesses increases comparability and enables better understanding of the underlying performance of the Group.

Adjusted EBIT Margin for a given period consists of Adjusted EBIT for that period divided by revenues for the same period, and is used by the Group as a supplemental measure of operating performance.

Adjusted Net Result

Adjusted Net Result for a given period consists of net profit for the period excluding Special Items (and related tax effect), as defined below.

The Company presents Adjusted Net Result because it excludes items that the Company does not believe are indicative of the Group's ongoing operating performance and allows management to view operating trends, perform analytical comparisons and benchmark performance between periods. Management believes that adjusting for these items which are not directly related to the operational performance of the Group and its geographical regions and businesses increases comparability and enables a better understanding of the underlying performance of the Group.

Net Working Capital and Working Capital Turnover

Net Working Capital is defined as the sum of: (i) trade receivables, (ii) inventories and (iii) trade payables.

The Company presents Net Working Capital because management believes it is a meaningful measure to evaluate its operating liquidity.

Working Capital Turnover for a given period consists of Net Working Capital for that period divided by revenues for the same period, and is used by the Group as a supplemental measure of operating performance.

Net Financial Position (as presented by the Group)

Net Financial Position is defined as the sum of cash and cash equivalents, current financial liabilities, current loans, non-current loans, non-current financial liabilities and non-current financial assets, and including IFRS 16 lease obligations. The Company presents Net Financial Position because management believes it is a meaningful measure to evaluate its ability to meet its financial obligations.

Net Financial Indebtedness (as per ESMA)

Net Financial Indebtedness is defined as the sum of liquidity and financial indebtedness (current and non-current) based on ESMA recommendations 32-382-1138 issued on 4 March 2021.The Company presents Net Financial Indebtedness because management believes it is a meaningful measure to evaluate its ability to meet its financial obligations in accordance with ESMA guidelines.

Free Cash Flow

Free Cash Flow is defined as the sum of: (i) Net cash flow from operating activities, (ii) Investments in intangible assets, (iii) Investments in property, plant and equipment, (iv) Financial income/expense collected/paid, (v) Income/expense on exchange rate, and (vi) change in escrow account and derivatives fair value, and excluding IFRS 16 effect. The Company presents Free Cash Flow because management believes it is a meaningful measure to evaluate its operating liquidity excluding cash used for acquisitions and dividends.

Net Capital Employed

Net Capital Employed is defined as the sum of (i) Net working capital (ii) fixed assets (iii) other assets and liabilities. The Company presents Net Capital Employed because management believes it is a meaningful measure to determine the return on a Company's investment as well as how effective management is at employing capital.

ROE

ROE is defined as the ratio of net profit to equity. The Company uses ROE as a supplemental measure to give a more comparable view of period-to-period return on equity.

ROI

ROI is defined as the ratio of EBIT to Net Capital Employed. The Company uses ROI as a supplemental measure to give a more comparable view of period-to-period return on investment.

Adjusted ROI

Adjusted ROI is defined as Adjusted EBIT to Net Capital Employed. The Company uses Adjusted ROI as a supplemental measure to give a more comparable view of period-to-period return on investment.

ROS

ROS is defined as the ratio of EBIT to revenue. The Company uses ROS as a supplemental measure to give a more comparable view of period-to-period return on sales.

Adjusted ROS

Adjusted ROS is defined as Adjusted EBIT to revenue. The Company uses Adjusted ROS as a supplemental measure to give a more comparable view of period-to-period return on sales.

Cash Conversion

Cash Conversion is defined as the ratio of Adjusted EBITDA less Capex, to Adjusted EBITDA. The Company uses Cash Conversion as a supplemental measure to give a more comparable view of period-to-period cash conversion of its operation.

Special Items

Special Items relate to transactions or events that the Company does not believe are indicative of the Group's ongoing operating performance, such as transactions, restructuring or reorganisational costs, individual or collective employment termination agreements, impairment losses on fixed assets, ancillary expenses associated with acquisitions or disposal of companies or assets, any other event deemed to not be representative of normal business operations. Management believes that adjusting for these items that are not directly related to the operational performance of the Group increases comparability and enables a better understanding of the Group's underlying performance.

Rounding and negative amounts

Certain figures in this Prospectus, including financial data, have been rounded. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in tables may not be an exact arithmetic aggregation of the figures which precede them.

In preparing the Financial Statements, most numerical figures are presented in thousands of euros. For convenience, certain numerical figures in this Prospectus are rounded to the nearest one million. As a result of this rounding, certain numerical figures presented herein may vary slightly from the corresponding numerical figures presented in the Financial Statements.

The percentages (as a percentage of revenues or costs and period-on-period percentage changes) presented in the textual financial disclosure in this Prospectus are derived directly from the financial information contained in the Financial Statements. Such percentages may be computed using the numerical figures expressed in thousands of euros in the Financial Statements. Therefore, such percentages are not calculated on the basis of the financial information in the textual disclosure that has been subjected to rounding adjustments in this Prospectus.

In tables, negative amounts are shown between brackets. Otherwise, negative amounts may also be shown by "-" or "negative" before the amount.

Market and industry data

All references to market share, market data, industry statistics and industry forecasts in this Prospectus consist of estimates compiled by analysts, competitors, industry associations and consultants, other non-public external data obtained by the Company from research companies and governmental entities or of the Group's own assessment of its markets and sales. Certain statements made in this Prospectus are based on the Company's own proprietary information, insights, opinions or estimates, and not on third party or independent sources; these statements contain words such as 'the Company believes' and 'the Company expects', and as such do not purport to cite, refer to or summarise any third party or independent source and should not be so read.

To calculate actual market sizes and market shares of the Group (by volumes sold) in heating and water heating markets in established economies, the Group compares its internal data on sales volumes (as recorded in the Group's ERP systems) with the market size data provided by the Association of the European Heating Industry (**EHI**). EHI tracks data from 41 European

heating and water heating companies as well as twelve official local associations to provide estimates on heating and water heating market sizes and market shares. In emerging economies where such official data is less readily available, the Group compares its internal data on sales volumes (as recorded in the Group's ERP systems) to external non-public data from third-party sources that the Group deems reliable to create a basis for its actual market size and market share estimates. These third party sources include research companies active in heating and water heating markets, and databases of governmental entities such as customs offices (which track the import and export flows of products). With respect to the heating markets in China and the United States, the Group only competes in the hydronic and high efficiency product subcategory and calculates market shares accordingly. With respect to the hot water market in the United States, the Group competes in the Electric Storage Water Heater product subcategory and calculates market shares accordingly.

For estimates of projected market sizes from 2021 to 2024, the Group has used information provided to it as its request by market research consultant BRG Building Solutions (**BRG**) with no internal adjustments.

The Company has not independently verified the information. The Company cannot guarantee that a third-party using different methods to assemble, analyse or compute market data or public disclosure from competitors would obtain or generate the same results. In addition, the Group's competitors may define their markets and their own relative positions in these markets differently than the Group does and may also define various components of their business and operating results in a manner that makes such figures non-comparable with the Group's figures.

Industry publications and market studies generally state that their information is obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the projections that they contain are based on a number of significant assumptions. Where third-party information has been sourced in this Prospectus, the source of such information has been identified. Although the Company believes that these sources are reliable, the Company does not have access to the information, methodology and other bases for such information and has not independently verified the information. The information in this Prospectus that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information provided inaccurate or misleading.

Supplements

If a significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the Offer Shares and which arises or is noted between the date of this Prospectus and the Settlement Date, a supplement to this Prospectus will be published in accordance with relevant provisions under the Prospectus Regulation. Such a supplement will be subject to approval by the AFM in accordance with Article 23 of the Prospectus Regulation, and will be made public in accordance with the relevant provisions under the Prospectus Regulation. The summary shall also be supplemented, if necessary, to take into account the new information included in the supplement.

Statements contained in any such supplement (or contained in any document incorporated by reference in such supplement) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document that is incorporated by reference in this Prospectus. Any supplement shall specify which statement is so modified or superseded and shall specify that such statement shall, except as so modified or superseded, no longer constitute a part of this Prospectus. For the avoidance of doubt, references in this paragraph to any supplement being published by the Company do not include the Pricing Statement.

Investors should also be aware of their rights under Section 87Q(4) of the Financial Services and Markets Act 2000 (the **FSMA**).

Notice to prospective investors

EXCEPT AS OTHERWISE SET OUT IN THIS PROSPECTUS, THE OFFERING DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO INVESTORS IN THE UNITED STATES, CANADA, AUSTRALIA, SOUTH AFRICA OR JAPAN, AND THIS PROSPECTUS SHOULD NOT BE FORWARDED OR TRANSMITTED IN OR INTO THE UNITED STATES, CANADA, AUSTRALIA, SOUTH AFRICA OR JAPAN.

Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Offer Shares.

This Prospectus may not be used for, or in connection with, and does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to acquire Offer Shares in any jurisdiction in which such an offer or solicitation is unlawful or would result in the Company becoming subject to public company reporting obligations outside the Netherlands.

The Offer and the distribution of this Prospectus, any related materials and the offer, acceptance, delivery, transfer, exercise, purchase of, subscription for, or trade in, Offer Shares may be restricted by law in jurisdictions and therefore persons into whose possession this Prospectus comes should inform themselves and observe any restrictions. This Prospectus may only be used where it is legal to offer, solicit offers to purchase or sell, or subscribe for or issue, Offer Shares.

No action has been taken or will be taken in any jurisdiction by the Company, the Selling Shareholders or the Underwriters that would permit a public offering of the Offer Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the Offer Shares, in any jurisdiction where action for that purpose is required. Accordingly, no Offer Shares may be offered or sold directly or indirectly, and neither this Prospectus nor any other Offer material or advertisements in connection with the Offer Shares may be distributed or published, in or from any jurisdiction except in accordance with any applicable laws and regulations of any such jurisdiction. See "*Selling and Transfer Restrictions*".

Subject to certain exceptions, this Prospectus should not be forwarded or transmitted in or into the United States, Canada, Australia, South Africa or Japan.

United States

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States for offer or sale as part of their distribution and may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable securities laws of any state or other jurisdiction of the United States. The Offer Shares will be offered and sold inside the United States only to persons reasonably believed to be QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, from the registration requirements of the U.S. Securities Act, and outside the United States in accordance with Regulation S. The Offer Shares are not transferable except in accordance with the restrictions described in the section titled "*Selling and Transfer Restrictions*".

The Offer Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission (the SEC), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offer or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense in the United States.

For so long as any of the Offer Shares are "restricted securities" as defined in Rule 144(a)(3) under the U.S. Securities Act, the Company will, during any period in which the Company is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the **U.S. Exchange Act**) nor exempt from reporting under the U.S. Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of such restricted securities or to any prospective investor in such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective investor, the information required to be delivered pursuant Rule 144A(d)(4) under the U.S. Securities Act. In addition, until the end of the 40th calendar day after commencement of the Offer, an offering or sale of Offer Shares within the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or transaction not subject to, the registration requirements under the U.S. Securities Act.

In the United States, this Prospectus is being furnished on a confidential basis solely for the purpose of enabling a prospective purchaser to consider purchasing the particular securities described herein.

The information contained in this Prospectus has been provided by the Company and the other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Company and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of its contents, without the Company's prior written consent, is prohibited.

This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the securities described herein. Investors agree to the foregoing by accepting delivery of this Prospectus.

European Economic Area

In relation to each member state of the European Economic Area (each a **Member State**), no Offer Shares have been offered or will be offered pursuant to the Offer in that Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation, except that the Offer Shares may be offered in that Member State to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation.

Each person in a Member State who acquires any Offer Shares in the Offer or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Company, the Selling Shareholders and the Underwriters that it is a qualified investor within the meaning of the Prospectus Regulation.

In the case of any Offer Shares being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation: (i) each such financial intermediary will be deemed to have represented, acknowledged and agreed to and with the Company, the Selling Shareholders and the Underwriters that the Offer Shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired in other circumstances falling within the points (a) to (d) of Article 1(4) of the Prospectus Regulation and the prior consent of the Underwriters has been given to the offer or resale; or (ii) where the Offer Shares have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Regulation as having been made to such persons.

The Company, the Selling Shareholders and the Underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

For the purposes of this provision, the expression an offer to the public in relation to any Offer Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Offer Shares to be offered so as to enable an investor to decide to purchase, or subscribe for, any Offer Shares.

Italy

The Offer Shares may not be offered, sold or delivered, directly or indirectly, in Italy or to a resident of Italy, unless such offer, sale or delivery of Offer Shares or distribution of copies of this Prospectus or other documents relating to the Offer in Italy is made:

(a) to qualified investors (*investitori qualificati*), as defined in Article 2(e) of the Prospectus Regulation; or

(b) in any other circumstances which are expressly exempt from the rules on offers to the public, including, without limitation, as provided under Article 1 of the Prospectus Regulation, Article 34-ter of Consob regulation No. 11971 of 14 May 1999, as amended (the **Issuers' Regulation**) and the applicable Italian laws.

Any such offer, sale or delivery of the Offer Shares or distribution of copies of this Prospectus or any other document relating to the Offer in Italy must be in compliance with the selling restrictions under (i) and (ii) above and must be, in any event, made:

(a) by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter (r), of the Italian Legislative Decree No. 58 of 24 February 1998, as amended (the **Consolidated Financial Act**), to the extent duly authorised to conduct such activities in Italy in accordance with the relevant provisions of the Consolidated Financial Act, Consob Regulation No. 20307 of 15 February 2018, the Italian Legislative Decree No. 385 of 1 September 1993, as amended (the **Consolidated Banking Act**) and any other applicable laws and regulations; and

(b) in compliance with any other applicable Italian securities, tax and exchange control laws and regulations and other applicable requirement or limitation which may be imposed by Consob, the Bank of Italy or by any other Italian regulatory authority from time to time.

Any investor purchasing the Offer Shares is solely responsible for ensuring that any offer or resale of the Offer Shares it purchased occurs in compliance with applicable laws and regulations. In accordance with Article 5 of the Prospectus Regulation and Article 100–bis, paragraph 1, of the Consolidated Financial Act, the subsequent resale on the secondary market in Italy of the Offer Shares (which were part of an offer made pursuant to an exemption from the obligation to publish a prospectus) constitutes a distinct and autonomous offer that must be made in compliance with the public offer and prospectus requirement rules provided under the Consolidated Financial Act and the Issuers' Regulation unless an exemption applies. Failure to comply with such rules may result in the subsequent resale of such Offer Shares being declared null and void and in the liability of the intermediary transferring the Offer Shares for any damage suffered by the investors.

United Kingdom

In relation to the United Kingdom, no Offer Shares have been offered or will be offered pursuant to the Offer to the public in the United Kingdom prior to the publication of a prospectus in relation to the Offer Shares which been approved by the Financial Conduct Authority, except that the Offer Shares may be offered in the United Kingdom to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the Offer and any Offer Shares to be offered so as to enable an investor to decide to purchase, or subscribe for, any Offer Shares and the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Each person in the United Kingdom who acquires any Offer Shares in the Offer or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Company, the Selling Shareholders and the Underwriters and their affiliates that it meets the criteria outlined in this section.

This Prospectus and any other material in relation to the Offer Shares described herein is only being distributed to, and is only directed at, and any investment or investment activity to which this Prospectus relates is available only to, and will be engaged in only with persons who are (i) persons who have professional experience in matters relating to investments falling within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the **Order**); or (ii) high net worth bodies corporate, unincorporated associations and partnerships and the trustees of high value trusts, as described in Article 49(2)(a) to (d) of the Order; (iii) outside the United Kingdom; or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any Offer Shares may otherwise lawfully be communicated or caused to be communicated (all such persons being together referred to in this paragraph as **Relevant Persons**). The Offer Shares are only available in the United Kingdom to, and any invitation, offer or agreement to purchase or otherwise acquire the Offer Shares will be engaged in only with the Relevant Persons. This Prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this Prospectus or any of its content.

Information to distributors in the EEA

Solely for the purposes of the product governance requirements contained within: (i) EU Directive 2014/65/EU on markets in financial instruments, as amended (**MiFID II**); (ii) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (iii) local implementing measures (together the **MiFID II Product Governance Requirements**), and disclaiming all and any liability, whether arising in tort, delict, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that such Offer Shares are: (a) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (b) eligible for distribution through all distribution channels as are permitted by MiFID II (the **Target Market Assessment**). Notwithstanding the Target Market Assessment, "distributors" (for purposes of the MiFID II Product Governance

Requirements) should note that the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection, and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer, including the selling restrictions described in "*Selling and Transfer Restrictions*". Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Global Coordinators will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (i) an assessment of suitability or appropriateness for the purposes of MiFID II; or (ii) a recommendation to any investor or group of investors to invest in, purchase, subscribe for, or take any other action whatsoever with respect to the Offer Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

Information to Distributors in the United Kingdom

Solely for the purposes of the product governance requirements contained within: (a) Regulation (EU) 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (U.K. MiFIR); and (b) the FCA Handbook Product Intervention and Product Governance Sourcebook, (together, the U.K. MiFIR Product Governance Rules), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of U.K. MiFIR) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that the Offer Shares are: (a) compatible with an end target market of retail investors and investors who meet the criteria of eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in U.K. MiFIR; and (b) eligible for distribution through all distribution channels as are permitted by U.K. MiFIR (the **U.K. Target Market Assessment**). Notwithstanding the U.K. Target Market Assessment, distributors should note that: the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The U.K. Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. Furthermore, it is noted that, notwithstanding the U.K. Target Market Assessment, the Joint Global Coordinators will only procure investors who meet the criteria of professional clients and eligible counterparties for the purposes of the U.K. MiFIR Product Governance Rules.

For the avoidance of doubt, the U.K. Target Market Assessment does not constitute: (i) an assessment of suitability or appropriateness for the purposes of the U.K. MiFIR Product Governance Rules; or (ii) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

Enforceability of civil liabilities

The ability of certain persons in jurisdictions other than the Netherlands, in particular the United States, to bring an action against the Company may be limited under applicable laws and regulations. At the date of this Prospectus, the Company is governed by the laws of the Netherlands and the Directors, and most of the Group's employees, are citizens or residents of countries other than the United States. Most of the assets of such persons and most of the assets of the Group are located outside the United States. As a result, it may be impossible or difficult for investors to effect service of process within the United States upon such persons or the Company or to enforce against them in United States courts a judgment obtained in such courts. In addition, in the Netherlands, there is doubt as to the enforceability of original actions or actions for enforcement based solely on the federal or state securities laws of the United States or judgments of United States courts, including judgments based on the civil liability provisions of the United States federal or state securities laws.

As at the date of this Prospectus, the United States and the Netherlands do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. With respect to choice of court agreements in civil or commercial matters, it is noted that the Hague Convention on Choice of Court Agreements entered into force for the Netherlands, but has not entered into force for the United States. Consequently, a judgment rendered by a court in the United States, whether or not predicated solely upon U.S. securities law, will not be enforceable in the Netherlands. However, if a person has obtained a final judgment without possibility of appeal rendered by a court in the United States that is enforceable in the United States and files a claim with the competent Dutch court, the Dutch court will generally recognise and give effect to such foreign judgment without substantive re-examination or re-litigation on the merits insofar as it finds that: (i) the jurisdiction of the United States court has been based on a ground of jurisdiction that is generally acceptable according to international standards; (ii) the judgment by the United States court was rendered in legal proceedings that comply with the Dutch standards of the proper administration of justice that includes sufficient safeguards (*behoorlijke rechtspleging*); (iii) the judgment by the United States court does not contravene Dutch public policy (*openbare orde*); and (iv) the judgment by the United States court is not irreconcilable with a judgment of a Dutch court or an earlier judgment of a foreign court between the same parties that is capable of being recognised in the Netherlands. Even if such judgment is given binding effect, a claim based thereon may, however, still be rejected if the judgment by the United States court is not or no longer formally

enforceable in the United States. A Dutch court may reduce the amount of damages granted by a United States court and recognise and give effect to damages only to the extent that they are necessary to compensate actual losses and damages.

The Company cannot provide assurance that all conditions precedent required for enforcement of, or giving binding effect to, any foreign judgments in the Netherlands will be satisfied, or that a particular judgment will be enforced in the Netherlands.

Enforcement of, or giving binding effect to, any foreign judgment in the Netherlands will be subject to the rules of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). Judgments may be rendered in a foreign currency, but enforcement is executed in euro at the applicable rate of exchange. Under certain circumstances, a Dutch court has the power to stay proceedings (*aanhouden*) or to declare that it has no jurisdiction if concurrent proceedings are being brought elsewhere.

Information regarding forward-looking statements

This Prospectus includes forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Group's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "aim", "annualised", "anticipate", "assume", "believe", "continue", "could", "estimate", "expect", "goal", "hope", "intend", "may", "objective", "plan", "position", "potential", "predict", "project", "risk", "seek", "should", "target", "will" or "would" or the highlights or the negatives thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements that reflect the Company's intentions, beliefs or current expectations and projections about the Group's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which the Group operates. In particular, the statements under the headings "*Summary*", "*Risk Factors*", "*Reasons for the Offer and Use of Proceeds*", "*Dividends and Dividend Policy*", "*Business*" and "*Operating and Financial Review*" regarding the Group's strategy, targets, expectations, objectives, future plans and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. Important factors that could cause the Group's actual results to so vary include, but are not limited to:

- competitive pressures and changes in consumer trends and preferences as well as consumer perceptions of the Group's brands;
- fluctuations in the price of raw materials and components the Group uses to assemble its products;
- global and regional economic and political conditions, as well as market conditions more generally;
- interruptions in the Group's manufacturing and distribution facilities;
- the Group's ability to successfully innovate, develop and launch new products and effectively market its existing products;
- actual or alleged non-compliance with applicable laws or regulations and any legal claims or government investigations in respect of the Group's business;
- difficulties associated with successfully completing acquisitions and integrating acquired businesses;
- the loss of senior management and other key personnel; and
- changes in applicable environmental laws or regulations.

Forward-looking statements in this Prospectus speak only as of the date of this Prospectus. Except as required by applicable laws and regulations, the Group expressly disclaims any obligation or undertaking to update or revise the forward-looking statements contained in this Prospectus to reflect any change in its expectations or any change in events, conditions or circumstances on which such statements are based.

Defined terms and language

Defined terms used in this Prospectus are defined in "*Defined Terms*". This Prospectus is published in English only.

REASONS FOR THE OFFER AND USE OF PROCEEDS

Background and reasons for the Offer and the Admission

The Company believes that the Admission and the Offer are a logical next step in its development and that the timing of these steps is appropriate, given its current profile and level of maturity. Since 2020, the Group has increased its investments to support further organic growth and in research, development and its manufacturing network. The Group operates in 42 countries and reached the level of a global player, both in terms of size and organisation. The Group wishes to grow further. With the Admission, the Company will be able to raise capital to support and develop further growth, invest and accelerate the organic growth – such as digital route to market, technologies and industrial footprint – and to finance acquisitions of businesses, technologies and intellectual property rights in the future. The key drivers for acquisitions are access to new markets and consolidation of new businesses with existing businesses in existing markets and access to new technology and services. The Admission will also further enhance the Company's profile and brand recognition and aims to permit the Group to continue to attract talented individuals to join the Group in the future. In addition, the Offer provides the Selling Shareholders with an opportunity to partially realise their investment in the Company.

Use of proceeds

The Company will not receive any proceeds from the sale of the Existing Offer Shares and/or the sale of any Over-Allotment Shares by the Selling Shareholders, the proceeds of which will be received by the Selling Shareholders. The underwriting commissions due to the Underwriters will be borne by the Company and the Selling Shareholders *pro rata* to the Offer Shares sold by them in the Offer. The other expenses, commissions and taxes related to the Offer and Admission will be borne by the Company.

The Company will receive proceeds from the sale of the New Offer Shares. The Company expects that the net proceeds from the Offer, after deduction of expenses, commissions and taxes for the Offer and Admission payable by the Company (estimated to amount to approximately €25 million), will amount to approximately €275 million.

The Company intends to use the net proceeds from the issue of the New Offer Shares to support and develop further growth, invest and accelerate the organic growth of the Group and to finance acquisitions of businesses, technologies and intellectual property rights in the future.

DIVIDENDS AND DIVIDEND POLICY

The Company may only make distributions to its shareholders insofar its equity, reduced by the amount of the distribution, exceeds the amount of the paid-in and called-up part of the issued capital plus the reserves as required to be maintained by the Articles of Association and Dutch law. The Board may, subject to Dutch law and the Articles of Association, resolve to pay a dividend on the Ordinary Shares or Multiple Voting Shares from one or more of the reserves which do not need to be maintained pursuant to the Articles of Association and Dutch law. Because the Company is a holding company that conducts its business mainly through its subsidiaries, the Company's ability to pay dividends will depend directly on its subsidiaries' distributions to the Company. The amount and timing of any dividend distributions will however depend on the laws of the subsidiaries' respective jurisdictions.

The Board determines which part of the profits will be added to reserves, taking into account the financial condition, earnings, cash needs, working capital developments, and any other factors that the Board deems relevant in making such a determination. The part of the profits remaining after the addition to reserves will be at the disposal of the General Meeting. The Board makes a proposal for the remaining part of the profits that will be at the disposal of the General Meeting.

Dividend distribution is further summarised in "*Description of Share Capital and Corporate Structure—Shares and share capital—Dividend distributions*".

Dividend history

The Company paid dividends of €48 million in 2021 in respect of FY 2020, €129 million in 2020 (consisting of €28 million in regular dividends authorised upon the approval of the FY 2019 financial statements and €100 million in special dividends) and €28 million in 2019 in respect of FY 2018 (data related to Ariston Thermo Holding S.p.A. (old)).

The following table contains the amount of the dividend per share of the Group as at 30 September 2021, 31 December 2020, 2019 and 2018.

	Nine months ended 30 September	**Year ended 31 December**		
	2021	**2020**	**2019**	**2018**
	(Unaudited) (*in millions of euros unless otherwise indicated*)			
Dividends	48	129	28	28
Dividend per share (in unit of Euro) [1]	0.16	0.43	0.09	0.09

[1] The number of Shares in 2020, 2019 and 2018 are restated to reflect the 300,000,000 Shares outstanding following the restructuring in 2021 (see "*Description of Share Capital and Corporate Structure—Restructuring*").

Dividend policy

Subject to the limitations described herein, the Company intends to retain part of its future net income in order to fund the business. To the extent possible and provided the Company's operational and financial objectives have been met, the Company is targeting a dividend pay-out ratio of approximately 33% of the Group's net profit attributable to shareholders in the immediately preceding financial year. The ability and intention of the Company to declare and pay dividends in the future will mainly depend on its financial position, results of operations from the Company and its subsidiaries, investment prospects, the existence of distributable reserves and available liquidity and such other factors as the Board may deem relevant. See "*Important Information—Information regarding forward-looking statements*" for the factors that could cause the Group's results to vary.

Manner and time of dividend payments

Payment of any dividend in cash will, in principle, be made in euro. The Company will, however, have the authority to make distributions in another currency than euro. Any dividends that are paid to shareholders through Monte Titoli will be automatically credited to the relevant shareholders' accounts without the need for the shareholders to present documentation proving their ownership of the Ordinary Shares. Payment of dividends on the Ordinary Shares or Multiple Voting Shares not held through Monte Titoli will be made directly to the relevant shareholder using the information contained in the Company's shareholders' register and records. The party entitled to dividends and other payments on an Ordinary Share or Multiple Voting Share will be the party in whose name the Ordinary Share or Multiple Voting Share will have been registered at the date to be fixed by the Board.

Dividend and other distributions on Ordinary Shares or Multiple Voting Shares become eligible and payable with effect from the date established by the Board. Different payment release dates may be set for the Ordinary Shares and the Multiple Voting Shares.

Uncollected dividends

A shareholder's claim to payment of dividend lapses five years after the day on which the claim became payable. Any dividends that are not collected within this period revert to the Company.

Taxation

The tax legislation of the shareholders' Member States or other relevant jurisdictions and of the Company's country of incorporation and tax residency may have an impact on the income received from the Ordinary Shares. See "*Taxation*" for an overview of the material Dutch and Italian tax consequences of the acquisition, holding, settlement, redemption and disposal of Ordinary Shares, and certain United States federal income tax consequences of the ownership and disposal of Ordinary Shares acquired in the Offer to U.S. Holders and Non-U.S. Holders (each as defined below).

If based on the double tax treaty concluded between the Netherlands and Italy, the Company is exclusively resident in Italy for corporate income tax purposes, dividend paid by the Company is in principle not subject to Dutch but Italian dividend withholding tax. See "*Taxation—Taxation in the Netherlands—Dividend withholding tax*" and "*Taxation—Taxation in Italy—Taxation of dividends* " for a more detailed discussion of certain aspects of taxation of dividends in the Netherlands and Italy.

BUSINESS

OVERVIEW

The Group is a global provider of sustainable comfort solutions for hot water and space heating. The Group's mission is to become the world's preferred partner in delivering energy efficient and renewable solutions for hot water and heating needs. The Group believes it has a distinctive global footprint in terms of market access and operations, with a capacity to feel "at home" around the world, as well as a solid portfolio of renewable and high efficiency products and solutions across its hot water and heating product categories. The Group has deployed a targeted approach to profitable growth over time, mixing organic expansion with inorganic investments.

The Group, headquartered in Fabriano, Italy, sells its products in approximately 150 countries, including 42 countries where it operates directly. Global in nature, the Group generated 89% of its revenues outside of Italy in 2020. The Group believes its heritage global brand Ariston, its global brand Elco, as well as strong local brands, including ATAG, Chaffoteaux, Racold, American Standard and Calorex, are trusted by industry professionals and end-users alike and are closely associated with hot water and heating around the world. The Group combines global presence with local action, leveraging its existing network of brands and an extensive manufacturing and supply chain footprint.

The Group offers heating and hot water solutions via a wide array of high-quality products (including heat pumps and smart thermostats, high efficiency boilers and water heaters) and systems (including hybrid heat-pumps and boiler systems, boilers and indirect cylinders), as well as pre-sales and post-sales services, including direct maintenance and repair. In 2020, the Group sold approximately 7.5 million products and 34 million components across the world. The Group's offering of products and systems is complemented by pre-sales direct support, post-sales business-to-customer (B2C) maintenance and repair services for end-users provided in many core countries by the Group's own field engineers as well as third-party technical service centres, and business-to-business (B2B) support services for installers and service technicians. The Group also provides innovative digital functions for guided installation and repairs, connectivity tools and remote maintenance services.

The Group operates through three divisions: Thermal Comfort, Components and Burners. The divisions are strategically focused on the Group's two main product categories: Hot Water and Heating. Thermal Comfort is by far the largest division, representing 91% of the Group's revenue for 2020. Thermal Comfort serves the Hot Water and Heating product categories via its centrally managed operations, including product development, research and development (**R&D**), supply chain and procurement. The Group has divided its Thermal Comfort division into 42 markets organised into three geographical areas: Europe, Americas and Asia and MEA. The two other divisions are Components and Burners which support Hot Water and Heating, respectively. Components, representing 4% of the Group's revenue for 2020, focuses on water heating elements and thermostats and provides upstream technology integration for the Thermal Comfort division. Burners, representing 5% of the Group's revenue for 2020, delivers products and solutions to supply the B2B heating needs of large commercial, process and industrial companies.

The Group believes it is at the forefront of innovation, providing advanced technologies for hot water and heating as well as connectivity solutions for its customers, with a portfolio of renewable and highly efficiency products. The Group has developed a comprehensive approach to research and product development, with central business divisions steering 25 R&D competence centres located in four continents, including primary centres located in Italy and local units focused either on regional customisation or technology leadership. The Group operates a global and integrated supply chain and operational network across four continents, a structure that is designed to optimise costs and ensure adequate proximity to local markets.

The Group's commitment to providing sustainable comfort lies at the heart of its key values: believing in sustainability, inspiring through excellence, starting from customers, putting people first and proceeding from integrity. For example, in 2020, the Group derived 72% of its revenues from renewable and high efficiency products sold by the Thermal Comfort division, as defined under the applicable local regulations of the applicable end-markets. In addition, in 2020, 95% of the products sold by the Thermal Comfort division in the previous five years required no intervention in the form of repairs or parts substitutions. The Group places special attention on managing its people, fulfilling 84% of local managerial needs with local employees and promoting from within approximately 75% of executives and top management, in 2020. The Group believes it has demonstrated its commitment to its mission throughout its business operations since its founding in 1930, building on the business philosophy of its founder, Mr. Aristide Merloni. As far back as 1974, the European business magazine, Vision, awarded Industrie Merloni (former name of the Group) the Social Responsibility European Management Award.

COMPETITIVE STRENGTHS

Well-positioned to capitalise on growing markets across the globe

The Group serves hot water and heating needs around the world and is well positioned to capitalise on markets that are expected to continue to grow. Market research consultant BRG Building Solutions (BRG) estimates that the global value pools (excluding Japan and South Korea) in hot water and heating markets (measured in billions of euros) grew at a compound annual growth rate (**CAGR**) of 1.6% between 2018 and the first half of 2021. BRG also estimates that between 2021 and 2024, the combined hot water and heating market will grow at a CAGR of 3.6% to a total market value of €56.2 billion in 2024, with Europe growing significantly above average (at a CAGR of 6.3% to a total market value of €19.0 billion).

In the past, growth in established economies was primarily linked with replacement needs for existing installed park, with new installations playing a smaller role. In contrast, in emerging economies, the progressive penetration of hot water and heating technologies in homes made new installations more prominent, alongside replacement of existing installed park. In recent years, market growth globally has been accompanied by a technology shift towards renewable and high efficiency products, which in turn yields higher unitary value in the markets. Also according to BRG, between 2021 and 2024 renewable and high efficiency

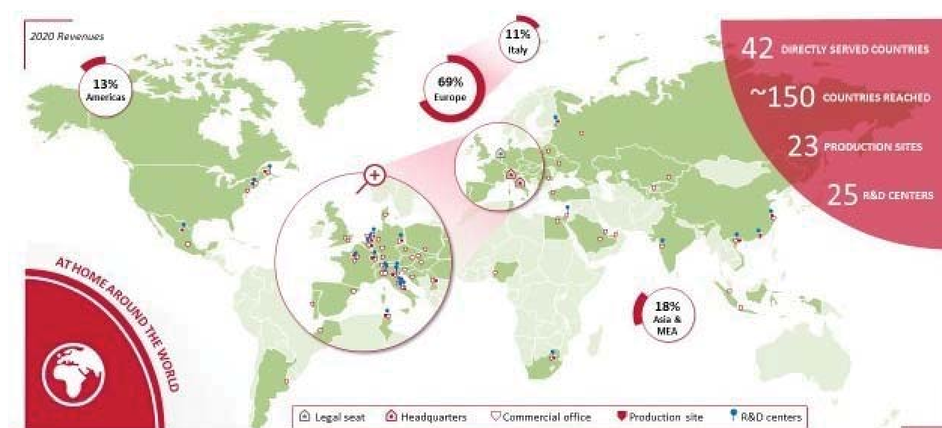
solutions are expected to grow by a CAGR of approximately 5.3% to reach a total market value of €30.2 billion, a growth rate that is significantly above the average for the overall industry, while standard efficiency products are estimated to grow at a CAGR of approximately 1.7%. See "*—Market and competition*".

With respect to the hot water market in established economies, demand is mainly driven by replacement needs. However, the current trend towards more energy efficient (such as Class B or Class A products as classified under the energy related products labelling regulation (**ErP**) in Europe) or renewable products is increasing market value (as such products yield higher unit costs, with correspondingly higher prices). Further, in both Europe and the United States, there is a growing interest in the role electric water heaters can play in supporting the flexibility of power grids, as well as in new renewable and high efficiency products. In emerging economies (in Asia, Middle East, Africa and Latin America), with growing urbanisation, a rising middle class and low penetration rates for hot water products (for example, in 2018, less than 10% in Indonesia, approximately 10% in Nigeria and 35% in India, as compared to 101% in the United States), the market is characterised by new installations as well as replacement of existing installed park.

Within the heating market particularly (for which the main established markets are located in the Northern Hemisphere), growth is primarily linked with the sustainability imperative. In the shift in public consciousness and regulatory landscape towards thermal sensitivity, Europe is leading the way, ahead of the United States and Asia. In Europe, the Green New Deal (a set of environmental policy initiatives by the European Commission approved in December 2020) has placed strict emission targets on member states and established financial incentive schemes, as well as blueprints for new building regulations. Under the targets, Europe aims to become "climate neutral", meaning it is no longer responsible for any adverse effects on the climate by 2050. To reduce carbon dioxide emissions, the portfolio of mitigation measures includes (i) products and solutions powered by electricity (accounting for 39% of mitigation measures), (ii) high efficiency products (accounting for 29%), (iii) products that can be supplied with renewable energy (accounting for 18%) and (iv) connectivity solutions that can help consumers adopt energy conscious behaviours (accounting for 14%). In the United States, the regulatory effort is beginning with state-by-state regulation on the use of renewable and high efficiency technologies. Although the United States has recently rejoined the Paris Agreement to tackle climate change, there are currently no nationwide schemes in place comparable to Europe. Within Asia, India is leading the way in increasing the focus on reducing emissions. In Russia and China, although sustainability efforts are not as visible and standard boiler technology still dominates the competitive landscape, there have been major shifts in recent years (such as the coal-to-gas shift in China from 2017).

The Group is capitalising on the trends in its markets (in both its Hot Water and Heating product categories) by providing a balanced and broad portfolio of products and systems, ranging from higher efficiency like-for-like products to outright replacement of traditional products with renewable or hybrid system alternatives. The Group also has a distinctive offering of maintenance and repair services. In emerging markets, the Group has a long history of establishing itself as a high-end, technologically advanced provider of hot water products in particular. In countries such as Vietnam, Indonesia and Nigeria, the Group, through the Ariston brand, was among the first companies to establish the hot water product category in the country, becoming itself synonymous with hot water products.

Global company with extensive geographical reach and the ability to feel "at home" around the world

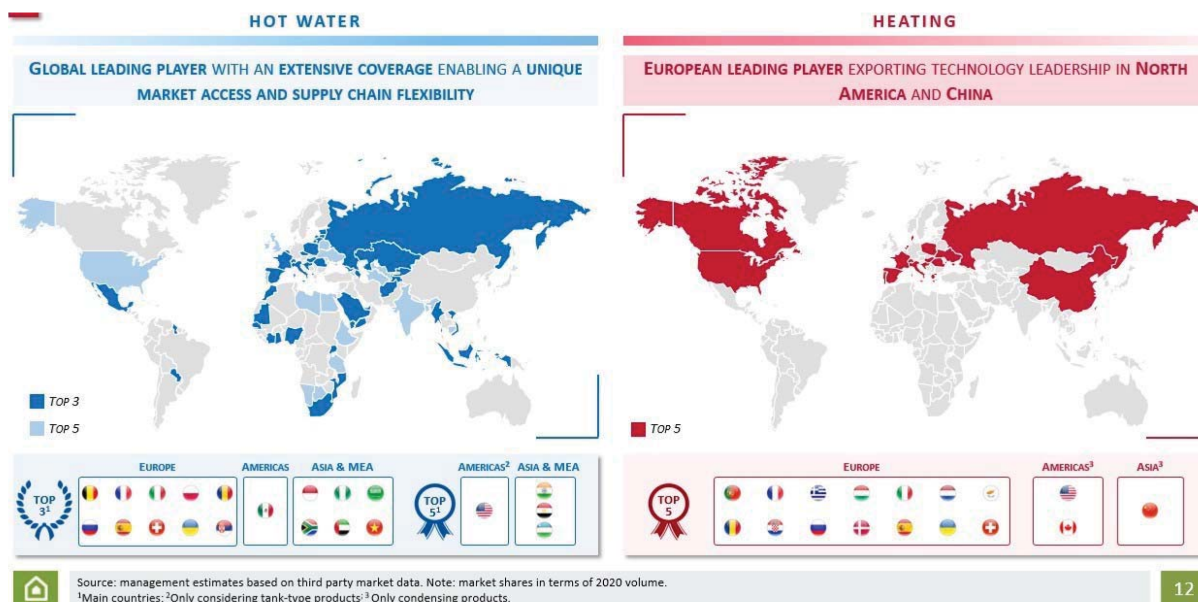


The Group is a global company, operating in 42 countries, with 80% of revenues derived from 18 different countries in 2020. The Group has extensive reach, with a global and integrated supply chain and manufacturing footprint, and a strong position in many global markets for both Hot Water (including Italy, Spain, Portugal, France, Mexico, the United Arab Emirates, Vietnam and Indonesia) and Heating (including Italy, Spain, France, Switzerland, Russia and China). The Group's global footprint enables it to distribute sophisticated technology developed in Italy and Europe quickly and efficiently around the world. The Group's integrated operations, across the different brands and extensive product offering, are designed to disseminate the Group's technological and innovation capacities globally, while quickly responding to local demands and preferences. The

Group believes that it is one of few global companies with a balanced offering across hot water and heating markets. For more details on the Group's competitive environment, see "—*Market and competition*".

Within the Hot Water product category, the Group believes it enjoys a distinctive global footprint in terms of market access, manufacturing, R&D and supply chain. The Group serves over 42 countries directly, 15 of which are among the 20 largest countries in the world by 2020 GDP. Within the hot water market, the Group estimates it was one of the top three market participants (by 2020 sales volumes) in 44 countries, and among the top five in an additional 24 countries throughout Europe, Asia, Africa and North America.[1]

Within the Heating product category, the Group has used its technological advancement, its focus on renewable and high efficiency solutions as well as its strong industrial practices to successfully compete in heating markets, particularly in Europe. Within the heating market, the Group estimates that it was one of the top five market participants (by 2020 sales volumes) in 2020 in 17 markets throughout Europe, Asia and North America (including the United States).[2]



Extensive portfolio of products and solutions

The Group offers an extensive range of renewable and high efficiency solutions, as well as legacy traditional products. The Group's technological competencies and its extensive infrastructure allow it to be a leading provider in several subcategories within Hot Water (Electric Storage, Electric Instant, Gas Storage, Solar and Heat Pumps) and Heating (Residential Condensing Wall-Hung Boilers, Commercial Condensing Boilers and Residential Heat Pumps), while addressing local demands and preferences. In the Components division, the Group provides a wide portfolio of hot water elements and thermostats, with a solid vertical integration with the Thermal Comfort division. In the Burners division, the Group engineers, produces and markets technologically advanced burner products for commercial and industrial customers. In particular, it is at the forefront of low nitrous oxide and ultra-low nitrous oxide emissions solutions. For more details on the leading offerings in each division, see "—*The Group's operations*".

The Group has developed a comprehensive approach to research and product development, with central business units steering 25 R&D competence centres distributed across 4 continents, with main global centres located in Italy and local units focused either on regional customisation (such as high efficiency boilers in North America and small electric-storage water heaters in Asia) or technology leadership (such as high-end boilers in the Netherlands and electric instant water heaters in Israel).

In addition, the Group believes that the push towards innovation, combined with its existing capabilities and infrastructure, allows it to keep pace with sustainability goals. The Group is working to create and integrate new, highly efficient and renewable technology through its R&D competence centres and the Ariston Innovative Technologies (**AIT**) centre, a dedicated hub for the development of such technologies. Using these capabilities, the Group is able to create solutions to optimally serve the needs of the customers in the markets in which it operates, as well as to further sustainability efforts. For example, the Gas Absorption Heat Pump (the **i-GAHP**) provides a more convenient and environmentally friendly alternative to existing boiler solutions for heating, including gas boilers and oil boilers. The i-GAHP uses renewable energy and is highly efficient, while providing low

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[1] To calculate actual market sizes and market shares of the Group (by volumes sold) in heating and water heating markets in established economies, the Group compares its internal data on sales volumes (as recorded in the Group's ERP systems) with the market size data provided by the Association of the European Heating Industry (EHI). In emerging economies where such official data is less readily available, the Group compares its internal data on sales volumes (as recorded in the Group's ERP systems) to external non-public data from third-party sources that the Group deems reliable to create a basis for its actual market size and market share estimates. For information, see "*Important Information—Market and industry data*".

[2] See note 1.

running costs and low noise to end-users as well as stable performance and compatibility with gas appliances for installers. The Group is also expanding its innovation to emerging markets through new product development initiatives such as the Electric Instant Water Heater project in Vietnam. For other examples of the Group's innovative solutions, see "*—The Group's operations*".

Renewable and high efficiency products, and the respective share of such products within the Group's offering, are classified according to the technical standards and regulations of each local market in which the Group markets its products. High efficiency products require expertise and advanced technologies to develop. They benefit end-users, with lower energy consumption and total cost of ownership despite their higher up-front purchase price. For example, within the Hot Water category, the Heat Pump Water Heater, with an energy efficiency rating of A+, requires an up-front cost of four to eight times that of a Mechanical Electric Water Heater (which has an energy efficiency rating of C). However, a Class A+ or Class A Water Heater can have as little as half the annual consumption cost compared to a Class B or C one, thus enabling significant energy consumption and cost savings throughout the lifetime of the product.

The Group believes that the combination of its global presence and supporting operations with loyalty to its local brands allows the Group to hold its current market shares, and provides opportunities to grow further.

Agile organisation and governance, designed to establish a local presence and deliver on organic growth targets

With its entrepreneurial and "can-do" attitude and global supply chain and manufacturing footprint, the Group has scaled its operations to create a global company with local roots. Although spread across 42 countries and 70 different operating companies, the Group revolves around three global divisions, allowing it to scale innovation, extract synergies and focus on its mission and strategies. A key component of the Group's success is its balanced organisation, at once centralised and localised, as well as its robust governance framework, cash controls and Group-wide systems. The Group has established a streamlined management structure and an agile Group-wide organisation, allowing the business to be scalable without becoming diluted. The Group's systems and controls are designed to be scaled globally while being efficiently applied locally. This has been shown by the Group's ability to keep a centralised organisation with agile local presence throughout its global expansion to date. The Group's global footprint is structurally aligned with its end markets, the local supply chain and production capabilities, and also enables the Group to manage transportation costs and benefit from an effective and efficient path to end users.

As part of its global expansion, the Group has consciously decided to keep certain activities local and tailored to market needs, while harmonising and integrating others in order to extract synergies and growth potential. The Group has also established strong planning and control practices to maintain the integrity and efficiency of its organisation. The Group's first enterprise resource planning (**ERP**) single system was put in place in 2001. In 2020, 91% of the Group's revenues were generated by companies operating under the same ERP platform. By the end of 2023, the Group plans to have integrated all Group companies under the ERP (based on the perimeter of operations as of 31 December 2020). Likewise, the Group is finalising the first phase of deployment of a new customer relationship management (**CRM**) Group platform. By the end of 2021, 14 key countries will be operating under the same CRM platform, with harmonised sales automation practices and processes. In several countries of operation, the Group has built extensive product marketing and R&D capabilities to ensure its product portfolio properly captures local demand and culture-driven customer preferences. Examples of recent marketing campaigns include an Ariston brand refresh campaign and a partnership with the Juventus soccer team. Further, a major project is ongoing to provide the Group with a single, unified product lifecycle management (**PLM**) platform.

The Group's planning and cash control system operates with detailed oversight support, consistent cash flows and efficient net working capital requirements. In terms of corporate governance, the Group voluntarily put into place in 2004 a regime that is comparable to that of publicly listed companies in Italy, with a board of directors and strategy, human resource and remuneration, audit and finance management committees. Overall, the Group believes its serious and considered approach to its organisation and management gives it the ability to maintain its leading positions and keep progressing towards its targets.

Strong track record of growth and industry consolidation through acquisitions of attractive market and technology platforms

The Group has expanded considerably over the past two decades to achieve its current global reach. In 2001, the Group doubled its size in terms of revenues with the transformative acquisitions of the Elco, Chaffoteaux, Cuenod and Rendamax brands. Since then, the Group has continued to grow and expand with six major acquisitions (in Canada, the United States, Mexico, the Netherlands, Denmark and South Africa) as well as several smaller acquisitions (in France, Italy, Germany, Belgium, Israel and Switzerland, among others). These have contributed substantial revenue growth for the Group since their first year of full consolidation. For example, HeaTech revenues grew at a CAGR of 7% between the first year of full consolidation into the Group and the 12-month period ended 30 September 2021, ATAG at 4%; Gastech Energi at 5%; NTI at 9%; and Calorex, American Standard and HTP at a combined double-digit rate. The Group's North American brands, which were acquired more recently through local mergers, have experienced growth in the teens (albeit over a shorter observation period). Overall, the Group has completed and integrated six major acquisitions (seven including the 2021 acquisition of Chromagen) and ten bolt-ons since 2014. The Group has established a structured, proactive approach to acquisitions by scouting, assessing and selecting possible targets based on three strategic objectives: geographical expansion, market consolidation and technological leadership. Furthermore, where required, the Group has been able to adopt a long-term approach to sourcing acquisitions, on occasion by developing relationships with targets over several years to ensure the right strategic fit. The Group leverages its extensive management support and accountability systems, together with its industry expertise, to evaluate potential targets and align the selection process with an efficient execution of each acquisition. The Group deploys a target-conscious approach in structuring and integrating its acquisitions to fully align strategy, accountability and execution across businesses within the Group. In particular, the most recent acquisitions (in Canada, the United States and Mexico) have created a strong foothold for the Group in North America, providing the opportunity for significant growth and value creation, as well as further penetration of the

market. The Group deploys its structured approach to selecting targets and executing acquisitions to make strategic investments and create new opportunities for expansion in key markets.

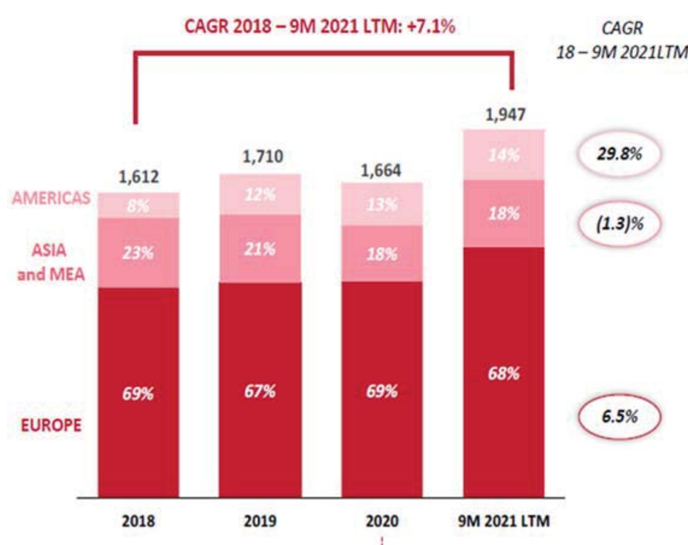
With the recent acquisition of Calorex in Mexico, the Group demonstrated its flexible and yet structured approach. In 2019, the Group developed an in-depth understanding of Calorex and the market in Mexico, while studying Calorex' processes and information and communication technology (**ICT**) platforms to prepare for a migration towards the Group's platforms. In 2020, the Group launched the ERP and ICT migration, while progressively moving parts of the Calorex organisation (such as supply chain, procurement, operations and finance) fully onto the Group's systems. In 2021, the ICT migration was completed, while the full organisational integration is ongoing.

When the Group has acquired brands, it has consciously sought to preserve and integrate the cultural features that make each brand recognizable in its respective region and drive customer loyalty, while working to achieve integration and harmonisation where appropriate. The Group believes that its structured approach to acquisitions allows it to grow its market and technological leadership globally.

Decades-long consistent story of profitable growth

Faithful to its vision and mission, the Group has built its over 90-year operating history and decade-long profitable growth on its core values: strong corporate governance practices comparable to those of a publicly listed company, a solid organisation built around values of integrity, customer orientation and sustainability, as well as an unwavering spirit of entrepreneurship and "can do" attitude. Since its founding, the Group has promoted strong managerial capabilities, nurturing career development internally as well as bringing in outside talent. The Group has invested extensively in R&D, supply chain effectiveness and manufacturing footprint. It has targeted innovation as a marker of distinctiveness: in 2020, 79% of the Group's revenues in the Thermal Comfort division were generated by products that were launched in the market within the previous five years. Further, the Group has pushed robust planning and control practices, sophisticated management-by-objectives (**MBO**) practices, and long-term-incentive schemes for key executives and senior managers. Driven by its core values, the Group has a history of a strong financial performance and steady growth, including over the past 20 years. From 2001 to the period ended 30 September 2021, revenues grew from €497 million to €1,947 million, at a CAGR of 7%. From 2001 to 2020, Adjusted EBITDA grew from €59 million to €239 million, at a CAGR of 7.6%.[3] In 2018 and 2019, the Group continued growing within the same general business, product and service lines, while increasing the relative proportion of its offering represented by renewable and high efficiency offerings and expanding geographically, particularly in Mexico and North America, as outlined in "—*History*". Between 2018 and 2020, Adjusted EBITDA grew at a CAGR of 8.8%, and Adjusted EBITDA Margin grew from 12.5% in 2018, to 13.0% in 2019 to 14.4% in 2020. Between 2018 and the 12-month period ended 30 September 2021, revenues grew at a CAGR of 7.1% from €1,612 million to €1,947 million, of which 4.9% (equal to EUR 228 million) represents organic growth and 2.3% (equal to EUR 106 million) represents growth from acquisitions.[4] The Group's organic growth between 2018 and the 12 months ended 30 September 2021 outperformed the growth of the combined global heating and hot water markets as estimated by BRG (excluding Japan and South Korea) by 160 basis points. This growth has been diversified among the Group's three geographical areas, as shown in the graph below. Group's margins have also improved, growing by 190 basis points in Adjusted EBITDA Margin between 2018 to 2020. To sustain and fuel this upward momentum, the Group continually makes strategic decisions and improvements to its operations, optimising its manufacturing footprint and value chain processes.

Revenues by region (€ million)



3 From 2001 to 2017, the Group's financial statements were prepared and presented in accordance with Italian GAAP and therefore are not fully comparable with the information derived from the Group's financial statements from 2018 onward.

4 The contribution from acquisition is calculated from acquired entities from January 2018 to September 2021, considering acquired revenues in their respective fiscal year of integration.

STRATEGIES

To achieve the Group's mission of becoming the preferred partner in delivering renewable and high efficiency energy solutions for hot water and heating, the Group is pursuing the following strategic objectives.

Provide sustainable comfort for everyone through a high-value product portfolio

Sustainable comfort lies at the heart of the Group's values, goals and operations. The Group aims to be at the forefront of the global transition to use renewable energy and curb greenhouse gas emissions by offering innovative and high-quality renewable and high efficiency products globally. The thermal comfort market has the potential to play a significant role in the path towards greenhouse gas reduction, since 18% of global emissions and 36% of European energy emissions come from existing buildings. Many global emission reduction targets relate to energy usage in existing buildings, including accelerating their performance, improving their management, and reducing energy demand from appliances within buildings. Further, heating and hot water accounts for approximately 80% of European residential energy consumption. The Group can play a role on all of the measures identified by the International Energy Agency in order to achieve climate neutrality by 2050, as it develops and markets: (i) products and solutions powered by electricity, (ii) high efficiency products, (iii) products that can be supplied with biofuels and hydrogen and (iv) connectivity solutions that can help consumers adopt energy conscious behaviours. The Group also pursues sustainable innovation in its Components and Burners divisions by deploying new technologies, such as hydrogen-based industrial burners. Currently, the Group has the capacity to use 30% hydrogen power in the Boilers division and expects to be able to use 100% in future years.

The Group's aim is to provide the leading, highest-efficiency available products and technologies in each of its business divisions and product categories. The Group believes that its technology and innovation know-how, its global presence and resources and its targeted investments in R&D can provide a highly competitive portfolio of technologically advanced solutions. By accelerating its investments in R&D and new products and technologies, expanding the Group's infrastructure and developing talent, the Group intends to continue to develop its portfolio of competitive products, retaining balance across segments and technologies. The Group is also working to grow its connectivity offering by engaging with end-users to gauge demand and leverage customer data to drive targeted investments in research and development. The Group believes its commitment to innovation and its capabilities will allow it to grow in the different markets in which it operates and differentiate itself from competitors. For further detail, see "—*Research and development*".

Grow the Group's category leadership in Hot Water

Within the Hot Water product category, the Group has historically been focused on the sub-category of Electric Storage Water Heaters. In recent years, the Group has endeavoured to grow its position in other product sub-categories, such as Electric Instant Water Heaters, Gas Water Heaters (both Storage and Instant), as well as Heat Pump Water Heaters, Solar Water Heaters and indirect Cylinders. In this way, the Group aims to become a recognised leader within the broader Hot Water category. Since 2015, the proportion of the Group's revenues from products other than Electric Storage Water Heaters has increased substantially, thanks to organic as well as inorganic growth.

The Group's strategy is to continue pursuing an end-to-end leadership in the broader Hot Water category through four main areas of focus: (i) go-to-market; (ii) product development; (iii) operations; and (iv) organisation.

At the go-to-market level, the Group will continue to direct the efforts of its sales force towards promoting the broader Hot Water category. This promotion will be targeted at increasing penetration within the existing customer base, thereby acquiring greater market share, while at the same time adding new customers, particularly in North America, Asia and Africa. The North American market is expected to play a key role in growing the Group's Hot Water category leadership, building on the Group's recent acquisition there of Calentadores in Mexico and WHTC in the United States. The Group also aims to further accelerate its penetration of new e-commerce channels within many of its core markets, and has renewed its efforts to support its core global brands, in particular Ariston, Calorex and Racold.

At the product development level, the Group offers a wide range of products across all sub-categories, and is currently focussed on achieving leadership in renewable and high efficiency offerings. In particular, the Group is focused on developing new ranges within the gas instant sub-category. Following the North American blueprint, the Group will continue its work to extend and complete the product portfolio offered to wholesalers, installers and end-users.

At the operations level, the Group will focus on upgrading its internal practices and supporting digital platforms for product lifecycle management (**PLM**) purposes, continuing to optimise its global and regional product platforms. The Group will also focus on continuously improving and strengthening its production and supply chain footprint, aiming at capturing cost efficiency opportunities, boosting flexibility and proximity to core markets. Ongoing cost management initiatives will also be instrumental to sustain the Group's margins as part of this strategy.

At the organisational level, growing the Group's category leadership in the Hot Water category will necessitate growing the Group's R&D competence centre personnel to support new product development practices relating to the upgrade of the Group's PLM platforms, and to strengthen the Group's local commercial presence.

Drive organic growth in Heating via renewable and high efficiency offerings

The Group believes it differentiates itself through its strong focus in offering a wide portfolio of renewable and high efficiency technologies. Within Heating, the Group aims to utilise this strength to drive organic growth. As with its growth in Hot Water, the Group aims to drive growth in Heating through: (i) go-to-market; (ii) product development; (iii) operations; and (iv) organisation.

A common feature in the Heating route-to-market is the long chain of intermediaries that can influence (or even determine) the brands, products and solutions installed at the homes of end-users. The Group believes it can boost its go-to-market strategy by further strengthening its direct services (both physical and digital) to support professionals and end-users along the product lifecycle of its systems, from pre-sales to post-sales support. These services include product catalogues, system configuration tools and on-site visits to support the design and planning activities of third-party contractors, maintenance and repairs for end-users (delivered either by specialists directly employed by the Group or by third-party subcontractors). The Group also provides a 24/7/365 customer service line. Recently, connected services delivered through internet-of-things (**IoT**) platforms have further increased the Group's ability to offer post-sales services, including remote assistance and predictive maintenance. The Group aims to grow its offering of value-added (such as training, webinars, digital catalogues) and connected services for professionals, contractors and end-users. As it aims to do for Hot Water, the Group will also renew its efforts within Heating to support its core global brands, in particular Ariston.

The Group's product development efforts within Heating will be centred on expanding the offering of turn-key systems, including integrated digital services. To further support the rapid expansion of fully renewable technologies, the Group is also focusing on developing a new generation of electric Heating Heat Pumps and innovative Gas Absorption Heat Pumps.

Within operations, the Group intends to continue to invest in its renewable facilities, in particular in its core production site in Albacina (Italy) (where it has already committed an investment of over €20 million) and in the Ariston Institute for Technology (**AIT**) outside Milan, Italy, by extending the climatic chambers, laboratories and assembly lines. As with Hot Water, the Group will work to deploy the full potential of its PLM platforms.

At organisational level, the Group plans to further strengthen its dedicated central teams in Germany and Italy (serving the Group's key markets in Europe and Central Europe) that provide B2B professionals with distinctive pre-sales customer support and a fulsome comprehensive service under the Group's solutions offerings, including assistance for installers, 3D product catalogues, loyalty programmes and educational webinars and trainings, ecommerce and direct-to-consumer purchase options. The Group will also continue to grow its post-sales maintenance and repair services for end-users offered directly, as well as indirectly through smart home appliances and remote assistance. The Group believes these continuous improvements will enable it to further refine its routes-to-market and meet the evolving needs of customers.

Continue pursuing strategic acquisitions to enhance value and consolidate market share

The Group has a strong track record of successful execution and integration of acquisitions, particularly over the last decade. The Group aims to build upon this success with additional acquisitions in the future, including both bolt-ons, mid-size deals and larger deals. In particular, on 20 October 2021, the Group signed an agreement to acquire Chromagen, an Israeli provider of renewable hot water solutions which has over 300 employees and reported revenues of approximately €100 million for 2020. With this acquisition, the Group plans to solidify its position in Israel, which it established with the 2017 acquisition of Atmor, a specialised manufacturer of tankless electric instant water heaters for residential and commercial use. Chromagen also has subsidiaries in Australia (in which the Group will acquire a 51% stake) and Spain (which Ariston will fully own), along with a network of distributors that allow it to sell its products in about 35 countries worldwide. This will allow the Group to establish a foothold in Australia as well as enhance its global presence. The Group aims to close the transaction by the end of 2021, after obtaining Israeli antitrust approval.

Additionally, when the Group becomes publicly listed, it will gain further flexibility and additional capital to pursue more acquisitions. The fragmented nature of the Group's markets provides ample opportunities for consolidation. According to Group estimates based on BRG data, in the hot water market in Europe and North America, the top three market participants by sales volumes hold 39% of the market, the next five hold 21%, the next ten hold 16% and the rest hold 24%. For the heating market in the same areas, the numbers are 29%, 26%, 20% and 25%, respectively. The Group intends to continue and accelerate proactively scouting for and assessing acquisition opportunities, doing appropriate diligence to pursue the targets that provide the broadest potential synergies for the Group. The Group's approach to identifying target value and structuring acquisitions is intentionally flexible, adapting to each target's unique heritage, brands, management team and particular strengths. The Group expects to focus its proactive scouting strategy on consolidating its presence and market shares in markets where it already has established operations, and to further strengthen its technology leadership.

Manage the complexity of a global enterprise and maintain operational excellence

Over decades of global expansion, the Group has managed to establish and maintain a balanced organisation comprising centralised operations, core regions and local presence. The Group seeks to maintain centralised integration and efficiency, while preserving the entrepreneurial spirit, sense of ownership and local identity within each division and geographical area.

In order to maintain this balance and extract the resulting benefits, the Group has accelerated the deployment of digital platforms and other integration processes to harmonise operational, logistical and innovation capabilities throughout the Group. The Group will continue to pursue digital innovation across three key areas: (i) end-user trends, (ii) relationship with professionals and (iii) internal operations. The Group strives to continuously improve the end-user experience and boost the efficiency of its products by providing connectivity solutions and services, including technical support and predictive maintenance. The Group believes that digital solutions will help further forge relationships with professional installers, architects, engineers and distributors. The Group aims to provide high-quality content tailored to professional needs, such as user-friendly training and assistance portals, digital catalogues and virtual showrooms. With respect to the Group's internal operations, the Group seeks to achieve cost efficiencies through digitally enabled supply chains and automated manufacturing processes, operational agility and faster responses to market development, as well as better management and efficiency throughout the value chain.

In the Hot Water category, in the last six years, the Group has deployed 19 new product platforms across four core macro-geographies. In the Heating Category, for the same period, the Group developed 16 new product platforms and extensions across

three core macro-geographies. To increase production efficiency and improve its margins, the Group seeks to achieve and maintain operational excellence by continuously investing in its manufacturing and logistical footprint: upgrading existing manufacturing sites, investing in new facilities, and improving its operations, for example, by implementing digital supply chain platforms and automated processes. The increased efficiency and optimisation of the supply chain is aimed at increasing customer satisfaction and, in turn, demand for the Group's products. The Group's centralised operations, including product development, R&D, quality control and procurement, are designed to scale and disseminate innovation, extract synergies among brands and technologies and allocate resources intelligently to areas of greater need.

Cultivate an excellent work environment

The Group's goal of achieving and maintaining operational excellence also involves recruiting, training and fostering high performance among Group employees. The Group invests significantly in training and educating its employees through a series of programmes designed to allow employees to gain skills and to ascend to positions of leadership. The Group seeks to champion local people as brand ambassadors and place locals in positions of management for each brand. For more on the Group's commitment to putting people first, see "*—Environmental, sustainability and governance—People come first*". The Group believes that a strong internal focus on management of working capital, capital expenditures and indirect costs can continue driving robust cash conversion, in turn an essential element to preserve flexibility and speed.

Continue integrating the Group's strategies with its ESG aspirations

The Group believes that the combination of its global footprint and its broad range of sustainable energy products makes it well-positioned to take advantage of climate change-related objectives evolving around the world. The Group's focus on corporate responsibility and social footprint has long been shaped by the philosophy of its founder, Aristide Merloni, famous for his saying, "There is no value in the economic success of any industrial initiative unless it is accompanied by a commitment to social progress". As early as 1974, the Group was awarded by the European business magazine, *Vision*, the Social Responsibility European Management Award. In the middle of the last decade, the Group designed and committed to a sustainability strategy, the "Road to 2022", comprising a set of ambitious targets. In late 2020, the Group launched a new project to renew and update its commitment to its sustainability targets, leading up to its 100th anniversary: the "Road to 100". For additional information about the "Road to 100" and the Group's sustainability values and targets, see "*— Environmental, sustainability and governance*". The Group believes that its historical and ongoing commitment to sustainability, supported by the social and regulatory trends and relatively higher profit margin for the high efficiency products, combine to create significant drivers of growth and profitability for the Group.

MID-TERM FINANCIAL OBJECTIVES

The Group has established the following aspirational operational and financial medium-term objectives which it aims to achieve by executing its strategy as set out under "*—Strategies*". These financial objectives are the Group's internal objectives for revenues growth, Adjusted EBIT Margin, revenues from renewable and high efficiency products and capital expenditure and investments for the medium-term. Adjusted EBIT Margin is defined in "*Important information—Presentation of financial and other information—Definitions of Non-IFRS Measures*".

- ***Revenues***: mid-single digit from organic growth, potentially supplemented by inorganic growth from M&A.
- ***Adjusted EBIT Margin***: greater than 10%.
- ***Renewable and high efficiency products***: >75% of revenues.
- ***Capital expenditure and investments***: approximately 3% of revenues.

The Group furthermore expects its revenues for 2021 to be in the range of EUR 1.9 to 2.0 billion.

The Group has not defined, and does not intend to define, "medium-term". The Group's medium-term financial objectives should not be read as forecasts, projections or expected results and should not be read as indicating that the Group is targeting such metrics for any particular year, but are merely objectives that result from the Group's pursuit of its strategy. The Group's ability to meet these objectives is based upon the assumption that it will be successful in executing its strategy and it depends, in addition, on the accuracy of a number of assumptions involving factors that are significantly or entirely beyond its control. The objectives are also subject to known and unknown risks, uncertainties and other factors that may result in the Group being unable to achieve them.

As a result, the Group's actual results may vary from the medium-term objectives established herein and those variations may be material. The material risks and uncertainties known to the Group that would impact the Group's medium-term objectives are described in "*Risk Factors*". The Group does not undertake to publish updates as to its progress towards achieving any of the above aspirational objectives, including as it may be impacted by events or circumstances existing or arising after the date of this Prospectus or reflect the occurrence of unanticipated events or circumstances. See also "*Important information—Information regarding forward-looking statements*" for further information.

THE GROUP'S HISTORY

- In 1930, Aristide Merloni founded Industrie Merloni to produce weighing scales. In the 1960s and 70s, the Group built up the Ariston brand, which began producing gas cylinders and electric water heaters, and in these years established itself as a leader in the Italian hot water market. In 1987, the hot water division of Industrie Merloni became a separate group under an Italian *società per azioni*, at the time named Merloni Termosanitari. In the next two decades, the Group entered the space heating sector, expanded to Western and Eastern Europe as well as Asia, and made its first major acquisition with Racold, one of the largest manufacturers of water heaters in India, in the 1990s.

- In 2001, the Group doubled its revenues and strengthened its presence in Europe by acquiring Chaffoteaux for commercial and residential heating in France, Elco for heating services in Switzerland, Austria, Germany and the Netherlands, Rendamax for commercial heating in the Netherlands and Cuenod for burners in France. In the following decade, the Group integrated those acquisitions while also fuelling organic growth by expanding its operations and manufacturing footprint in its key markets.
- In 2005, the Group acquired Ecoflam, the leading provider of burners in Italy. Between 2011 and 2013, the Group expanded its hot water presence in Europe and joined the World Class Manufacturing (**WCM**) program, a lean manufacturing and operations programme designed to train companies and their employees at all levels of the organisation, highlighting value and non-value adding activities, as well as eliminating waste. The top 13 plants of the Group (in terms of manufacturing volumes) which represent around 80% of volumes, have progressively joined, and benefitted from, the WCM program, improving the overall performance for efficiency, safety, quality and cost. The Group plans to further extend the WCM to the remaining plants.
- In 2014, the Group acquired HeatTech, accessing thereafter the South African market as one of the two largest heating providers in the country by sales volume according to Group estimates. The Group also acquired ATAG in the Netherlands for the Hot Water category, consolidating its market share in the country and gaining access to high-end condensing boiler technology within the heating market.
- In 2015, the Group acquired the multi-brand service platform Gastech Energi. This allowed the Group to enter the Danish market, and gain significant expertise with multi-brand maintenance and repair services (adding to the distinctive expertise of the global Elco brand for direct services on its branded installed park).
- In 2016, the Group launched the Ariston Thermo Innovative Technologies Center in Milan: a world-class hub for the research and development of cutting-edge, high efficiency solutions for thermal comfort, including those using energy from renewable sources.
- Since 2016, the Group has set its focus on the North and South American markets, starting with the acquisition of two regionally recognised brands. In 2016, the Group acquired the Canadian company NTI, which allowed the Group to enter the condensing boiler business in North America. In 2017, the Group acquired HTP in Massachusetts, which allowed the Group to consolidate the condensing boiler business in North America and enter the high-end, niche stainless steel segment within Hot Water. In 2019, the Group acquired Calentadores and WHTC from GIS, a Mexican conglomerate. Calentadores leads the market for hot water in Mexico via its brands Calorex and Cinsa (two of the four main hot water providers in Mexico). It also operates a large manufacturing facility in Saltillo, in the industrial north-east area of Mexico. WHTC sells glass-lined water heaters in the United States under the iconic American Standard brand. The Group has made significant investments in North and South America, exporting its know-how to these markets, as well as expanding its research and development and operational capabilities.
- In 2018, the Group purchased from Whirlpool the facility of Albacina near Fabriano, Italy. Albacina had been the birth place for the post-war expansion of the Group. Several parts of the Albacina facility were already outfitted with modern assembly lines, testing facilities and climatic chambers. With further ongoing improvements, Albacina is set to become the largest and most advanced manufacturing facility for renewable technologies in the Group. In particular, the Albacina plant is being used to increase the Group's volumes towards medium-term targets.
- Since 2020, the Group has increased its investments to support further organic growth. At the sales and marketing level, the Group has strengthened its go-to-market process within Thermal Comfort for sales to wholesalers and installers in Europe and North America, augmented pre-sales support services and direct-to-consumer online-to-offline initiatives, with a particular focus on Italy and Germany, and invested in a large initiative to harmonise and digitise sales and loyalty practices, as well as in ongoing brand support and awareness. At the business operations level, the Group has made investments in research and development for category leadership in Hot Water in Italy and Mexico, and for new renewable and hybrid solutions. The Group has also made investments in its manufacturing network, focusing particularly in the plants in Mexico, Vietnam, Russia and Italy.
- In June 2021, through a reverse merger of the original Merloni Termosanitari (later renamed Ariston Thermo S.p.A.) into one of its subsidiaries, and a redomiciliation in the Netherlands to become a Dutch public company with limited liability (*naamloze vennootschap*), the company Ariston Thermo N.V. became the holding company of the Group. For more details, see "*Description of Share Capital and Corporate Structure—General—Restructuring*".
- In 2021, the Group was renamed Ariston Group, and the Dutch public company was renamed Ariston Holding N.V.

THE GROUP'S OPERATIONS

The Group operates through three divisions: Thermal Comfort, Components and Burners. Thermal Comfort accounted for most of the Group's revenue and profits (in absolute terms) in 2020. The Group provides each division with central support staff activities, such as finance, planning, human resources, marketing and M&A. The Group distributes its products throughout its markets, under a number of different product brands, some of which are global, and some local, many of which have long-established heritage and are well-known to its customers. See "*—Brand portfolio*". The Group supports its product offering with a wide and articulated global manufacturing and supply network across its geographic regions of operations, and the strategic deployment of its technological capabilities through digitally enabled supply chains and an increasingly automated manufacturing process. Overall, the Group seeks to use its divisions and supporting manufacturing and development network to achieve strong sales of products and high cost efficiency, provide attractive services for professionals and end-users and provide sustainable comfort across the globe.

Thermal Comfort

Accounting for 91% of the Group's revenue in 2020, the Thermal Comfort division has a highly specialised product offering to fulfil end-user needs for hot water and heating. This includes heating solutions powered by boilers and heat pumps (which

themselves made up a percentage of 2020 Group revenues on the mid-teens), smart thermostats, as well as hot water products such as electric storage water heaters and heat pump water heaters, as well as a full range of direct services (from pre-sales to post-sales assistance).

The Thermal Comfort division revenues are split nearly evenly between Hot Water and Heating.

Hot Water

In 2020, the Hot Water category accounted for 44% of the Thermal Comfort division's revenues. Within Hot Water, the core global brand is Ariston, which has enabled organic developments throughout the decades in Europe, as well as Africa, Middle East and Asia. By means of acquisitions, the Group has also established several additional iconic brands, such as American Standard in the United States, Calorex and Cinsa in Mexico, Racold in India and Chaffoteaux in French speaking countries. See "—*Brand portfolio*".

The product portfolio for Hot Water mainly consists of (i) Electric Storage and Electric Instant Water Heaters, (ii) Gas Storage and Gas Instant Water Heaters and (iii) renewable products, including Heat Pump Water Heaters, Indirect Cylinders and Solar Water Heaters. The Group's historical focus and legacy is primarily with electric storage water heater products. The Group provides various storage options, including with enamelled (or glass-line), copper or stainless-steel features, with enamelled products accounting for the majority of storage water heaters (including electric, gas and indirect cylinders).

Heating

The Heating category accounted for 47% of the Thermal Comfort division's revenues in 2020. The Group markets its Heating products globally through the Ariston and Elco brands, and locally through other acquired brands such as ATAG (the Netherlands), Chaffoteaux (France), NTI and HTP (North America). The Group markets its direct maintenance and repair services through the global Elco and Gastech brands, while indirect maintenance and repair services are marketed through the local brands. See "—*Brand portfolio*".

The Heating category offers specialised products, including renewable and high efficiency solutions for domestic boilers, commercial boilers, heat pumps and heating services, focusing on offering lower energy consumption cost with high-value equipment and products. Products in the Heating category are divided among (i) residential standard (fuel-based) energy products, (ii) high efficiency residential and commercial products and (iii) renewable residential and commercial products, all across different technologies, with an increasing focus on renewable and high efficiency products. Within the renewable products, the Group offers domestic heating heat pumps, including hybrid solutions, gas absorption heat pumps and air Conditioning systems. Within the high efficiency Heating product range, the Group offers residential products, such as condensing wall-hung boilers and condensing floor-standing boilers, and commercial products, such as commercial wall-hung and floor-standing boilers.

In addition to its increasing renewable and high efficiency solutions offering, Heating also provides an array of services to support the heating needs of end-users, including software control solutions, pre-sales support services and connected solutions to develop closer relationships with industry professionals and end-users. The Group also provides direct maintenance contracts, repair services and remote control solutions to enhance the end-user experience and reinforce its brands. Primarily through the global brand Elco, the Group offers a comprehensive service network, which includes approximately 850 service technicians as at 30 June 2021.

Burners

Accounting for 5% of the Group's total revenue in 2020, the Burners division has a highly specialised component offering focusing on burners, equipped with technologically advanced combustion technologies, which contribute to lowering energy consumption and emissions and levels across global end markets and regions. The Burners division distributes products through local brands throughout Europe and a representative office in China, and sells to over 100 countries using an international dealership network. The primary markets for the Burners division are France, Germany, the Netherlands, Russia and China. Burners produced by the Group have functions ranging from domestic applications (for boilers), to commercial applications to industrial process ones, including residential, jet burner and single jet boilers, steam boilers, diathermic oil boilers, air heaters, bakery ovens, driers, incinerators and painting booths. The Burners division has a portfolio of low-nitrous oxide and ultra-low nitrous oxide technologies at the forefront of environmental impact for residential, commercial and certain industrial segments. With its Burners division, the Group is working towards reinforcing combustion cycle optimization to limit emissions, as well as technological developments and improved process technologies for its original equipment manufacturer (**OEM**) customers. The key brands in the Burners division are Ecoflam and Elco (globally) and Cuenod (in France). The three core research and development and manufacturing sites for burners are located in Italy, France and Germany, with three highly flexible manufacturing centres and one currently under development in China (expected to be operational in 2022).

Components

Accounting for 4% of the Group's total revenue in 2020, the Components division has a highly specialised product offering which serves the Hot Water category by focusing on the supply of hot water elements and thermostats for the hot water industry and the white goods industry, primarily for new product assembly and residually for replacements. The Components division has a strong presence in Europe in the supply of heating elements and thermostats and a growing footprint in the Middle East. The Components division offers significant vertical integration for the Group with Hot Water, selling over 34 million parts in 2020 in over 100 countries. The quality of its product range allows the Group to sell high volumes to many of the Group's competitors in the Hot Water business. The Components division has a portfolio of heating elements and thermostat and a distinctive tubular professional range. In addition, the division's primary production facility in Arcevia, Italy, has a high degree

of automation, allowing the Group's operations to be cost-efficient. The division also has three other highly automated plants, included a newly inaugurated one in Serbia. Products in the Components division are produced under the Thermowatt global brand. The three core research and development and manufacturing sites for components are located in Italy and China.

Brand portfolio

The Group conducts its operations through global and local high-end and widely recognised brands:

- *Ariston* is the Group's core heritage global brand in the Thermal Comfort division, with specialised expertise and advanced efficient and sustainable solutions for heating, hot water and connectivity. Ariston was the Group's first brand, and the catalyst of the Group's initial organic growth.
  In the Heating product category, Ariston offers a range of technologically advanced condensing boilers, with advanced temperature and remote-control systems that optimise and simplify boiler operation, while providing comfort and energy savings. Ariston's heat pumps are reaching new levels of efficiency by using the heat of the air as a renewable source to achieve maximum sustainable comfort and reduce energy consumption.
  In the Hot Water product category, Ariston offers highly efficient electric and gas-fired water heaters as well as advanced heat pump and hybrid heat pump solutions. The core of the products is their fast hot water capacity, safety and increasingly smart design, capable of learning users' habits and optimising consumption.
  Ariston also offers connected solutions, including heating, hot water and conditioning systems, which can be controlled remotely through smartphone applications as a way to keep domestic comfort under control, optimise energy consumption and access prompt customer service support.
- *Elco* is a global brand offering smart solutions and technologies in the Heating category designed to maximise energy saving, minimising CO_2 emissions, for both domestic and commercial heating solutions and high-performance burners for heating and industrial use. The brand's distinctive feature is its 24-hour assistance service (remote maintenance, on-site maintenance and repair) provided by the Group's directly employed service technicians to ensure that customers heating systems work reliably and efficiently for their entire life cycle. The connected systems can be monitored constantly to identify problems before failures occur. The customer can control heating and hot water remotely thanks to the easy-to-use mobile app. Elco provides full coverage of the product life cycle, from new installations or replacements.
- *Chaffoteaux* is a local brand in French-speaking countries that offers an innovative range of heating and hot water solutions, with a focus on professionals or collective landlords. In particular, the brand offers renewable energy solutions, wall-hung boilers for individual and collective housing, electric water heaters and connectivity services for end-users to remotely control their heating system and adapt energy consumption to their needs. For professional installers and maintenance companies, Chaffoteaux provides tailored services, including tele-diagnostics and fault prediction.
- *ATAG* is a local brand for high-end heating platforms in the Netherlands, with a product portfolio ranging from high efficiency boilers with innovative durable energy technologies to domestic heat pumps for heating, hot water and cooling driven by energy efficiency, easy installation and convenience. In addition, ATAG provides temperature control via remote control and solar system products.
- *Racold* is a local brand for water heaters in India, with a range of electrical, solar and gas water heaters. Its products offer durability, safety features, heating efficiency, cost savings and digital displays.
- *NTI* is a local brand in North America for condensing boilers for residential and commercial use. NTI offers gas boilers, traditional boilers, combi-furnaces that provide hot air for heating and hot water in a single system and water heaters.
- *HTP* is a local brand in North America that provides innovative, high efficiency solutions for space heating and hot water and produces a wide range of highly efficiency products and long-lasting system components. In particular, HTP focuses on heating boilers and is a leader in the US for stainless-steel water heaters for commercial and residential applications and whole home systems or combination appliances built to reduce operating and installation costs.
- *Calorex* is the Group's brand in Mexico for domestic and commercial hot water solutions. As a historical, legacy brand in Mexico, Calorex offers a full range of gas storage, gas high recovery and gas instantaneous technologies. As it becomes fully integrated with the Group, Calorex is also importing leading electric storage and renewable technologies. Calorex also offers post-sale service support with approximately 100 service centres across the country to give assistance on installations, spare parts and maintenance.
- *Cuenod* is a brand mainly focused on France that offers burners designed with environmental protection, safety and reliability in mind.
- *Ecoflam* is a global brand for burners with customised products and combustion technologies suitable for any type of application.
- *BCE* is a brand for industrial process products, combustion systems, air heaters and thermal oxidisers for the energy and petrochemical industries.
- *Thermowatt* is a global brand for components for electrical appliances, such as domestic appliances, electric hot water solutions, professional appliances and industrial applications.

PRODUCTION

The Group operates 23 production sites and 25 research and development competence centres on 4 continents. The Group sells its products in approximately 150 countries including 42 where it operates directly. The Group believes it is well-positioned to serve its customers globally while retaining a competitive cost basis.

The Group has established a global manufacturing and supply chain footprint, largely driven by the combined need to stay close to markets and minimise cost of goods sold as well as logistics costs. The Group's extensive supply chain and manufacturing footprint creates proximity to customers, which is essential to minimise transportation costs and compete successfully in the Group's end markets. In Hot Water, due to the often bulky dimensions of products, transportation costs are an important factor

for many of its customers, so the Group focuses on optimising logistics and operations and reducing operating costs. Because small storage and instant electric products can be shipped at relatively low cost, the Group has concentrated its production in Italy and Vietnam, particularly with the Albacina, Osimo and Hanoi plants. Conversely, large storage technologies are assembled in production sites throughout Europe, North America and South Africa. Likewise, mid-size storage products (*i.e*., from 80 to 150 litres) have production sites in Mexico, Europe and Asia. Gas instant products are assembled in Mexico, Italy, Tunisia and China. Renewable systems are produced and assembled in Europe and China.

In Heating, the Group operates from four main locations for the assembly of wall-hung boilers: Italy, the Netherlands, Canada and China. Commercial boilers are assembled in the Netherlands and Canada, and renewable heating heat pumps are assembled in China and Italy.

The Group also believes its manufacturing plants are well-situated to enable it to respond to future increases in demand, particularly in higher growth emerging markets. At this time, the Group does not expect to open new plants. Currently, the Group's does not use its full capacity of utilisation in Electric Instant Water Heaters and in Heating Heat Pumps (both of which were recently expanded) and in medium capacity Electric Storage Water Heaters (which are currently being expanded), with possibility of further expansions in all sectors. The utilisation of the Group's capacity depends on both the site and the growth prospects in the markets in which they are located. As such, in areas such as North America, the Group is currently expanding its design capacity to meet its production and growth forecasts. The Group's extensive geographic presence also enables the Group to expand the distribution of products to regions already covered by other products, without the need for a large upfront investment. During the COVID-19 pandemic, the flexibility afforded by operating multiple production sites for the Group's products enabled it to continue production, notwithstanding government mandated shutdowns in 2020 and the first half of 2021.

DISTRIBUTION

The Group distributes a majority of its products and offers its services primarily through wholesalers and installers (B2B). To a lesser extent, the Group sells directly to installers and service technicians or through retailers. The Group also has a small percentage of direct online sales. The alternative sales channels vary by the specific market or local brand. For example, in local markets such as in South America, Asia and Africa, local brands traditionally operate through smaller local retailers. In addition, the Group also sells its products through online platforms and direct-to-consumer.

RELATIONSHIPS WITH SUPPLIERS

The Group purchases raw materials and components for its products directly from suppliers and manufacturers with whom the Group typically enters into annual contracts. In 2020, the 15 largest suppliers accounted for approximately 20% of total raw materials and components purchases by value. The Group's diversified supplier base for most products allows for purchase flexibility while minimising procurement risk. The Group's primary manufacturers and distributors include suppliers of engineered components, electronic boards, finished products and primary raw materials (mainly steel, polyurethane and copper). The Group has long-term relationships with most of its suppliers, which average over five years for its ten largest suppliers, and is continuously focused on improving these relationships as, well as its purchasing conditions with such suppliers.

The Group also uses sub-contractors and OEMs, who procure raw materials and manufacture products that the Group sells as part of its product offering. The primary examples for this are the indirect cylinders and air conditioning systems that the Group produces.

The Group keeps its global supply chain close to the manufacturing facilities of suppliers and sub-contractors in order to ease logistical processes and lower operational costs, except for limited cases where the total cost of ownership of the purchased goods makes it more convenient for the Group to source from different areas or countries.

MARKET AND COMPETITION

Market overview

The data used in this section is derived from reports by BRG as well as estimates and calculations prepared by the Group's internal marketing intelligence department, as further described in "*Important information—Market and industry data*".

Hot water and heating markets in 2021 were estimated to have a total market value (*i.e.*, price per volumes) of €50.6 billion. The below charts show a breakdown, as at 30 June 2021, of the heating and hot water markets individually by region:

Total hot water market value by region (€bn)

	2015	**2021**	**2027**
North America	4.8	6.4	6.8
Europe	4.1	4.4	5.3
Asia[(1)], MEA and South America	18.1	15.3	18.3

[(1)] Asia excludes Japan and Korea.

Source: Data from BRG Building Solutions, market values forecast at constant prices (2020 or 2019, latest available).

Total heating market value by region (€bn)

	2015	2021	2027
North America	6.0	7.6	9.0
Europe	8.2	11.5	19.3
Asia[(1)], MEA and South America	4.1	5.5	6.4

[(1)] Asia excludes Japan and Korea.

Source: Data from BRG Building Solutions, market values forecast at constant prices (2020 or 2019, latest available).

The Group's revenues are split nearly evenly across heating and hot water with the Heating and Hot Water categories accounting for 47% and 44% of the Group's revenues, respectively, for 2020.

The combined heating and hot water markets have been growing at a CAGR of over 1.6% between 2018 and 2021. In the past, between 2015 and 2018, the markets grew at a CAGR of over 2.1%. BRG also estimates that between 2021 and 2024, the combined heating and hot water market will grow at a CAGR of 3.6% (compared to 5.3% for renewable and high efficiency products alone for the same period) from a total market value of €50.6 billion to €56.2 billion, and between 2024 and 2027 will grow at a CAGR of 5.1% to a total market value of €65.2 billion. Europe will grow significantly above average at a CAGR of 6.3% between 2021 and 2024, to a total market value of €19.0 billion in 2024.

BRG estimates that the percentage of renewable and high efficiency products within the total market was 47% in 2015, 48% in in 2018, 51% in 2021, and estimates that it will grow to 54% in 2024 and 57% in 2027. The following charts set forth the heating and hot water market value projections by region and by efficiency, respectively:

Total hot water and heating market value by region 2015-2027 (€bn)

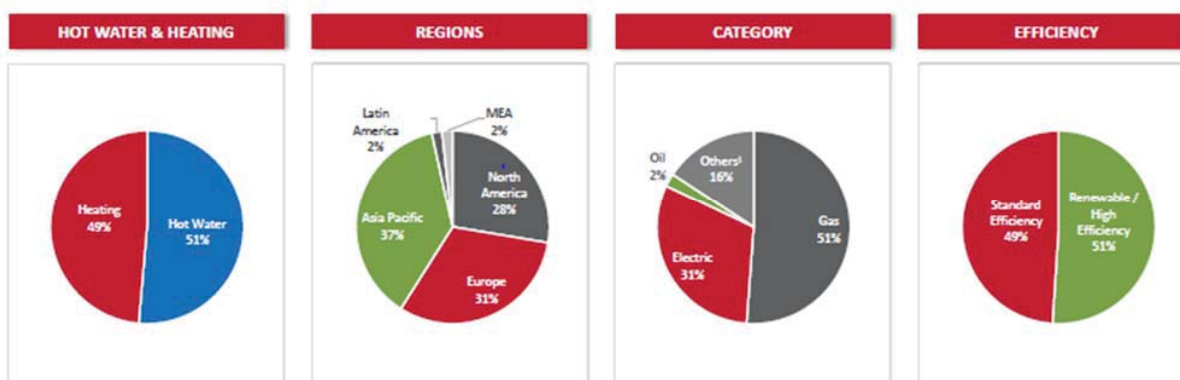
	2015	2018	2021	2024	2027	2021-24 CAGR
North America	10.8	12.1	14.0	14.7	15.8	1.8%
Europe	12.3	13.7	15.9	19.0	24.6	6.3%
Asia Pacific[(1)]	20.1	20.6	19.0	20.5	22.6	2.6%
South America	1.2	0.9	0.9	0.9	1.0	3.4%
MEA	0.9	0.8	0.9	1.0	1.1	2.8%
Total	**45.3**	**48.3**	**50.6**	**56.2**	**65.2**	**3.6%**

[(1)] Asia Pacific excludes Japan and Korea.

Source: Data from BRG Building Solutions, market values forecast at constant prices (2020 or 2019, latest available).

Total hot water and heating market value by efficiency 2015-2027 (€bn)

	2015	2018	2021	2024	2027	2021-24 CAGR
Renewable/ High Efficiency	21.2	23.1	25.8	30.2	37.3	5.3%
Low Efficiency	24.1	25.1	24.8	26.1	27.9	1.7%
Total	**45.3**	**48.3**	**50.6**	**56.2**	**65.2**	**3.6%**



Source: Data from BRG Building Solutions, market values forecast at constant prices (2020 or 2019, latest available).

Market drivers

Market drivers present similarities across hot water and heating markets, and include the following:

- *Existing installed park*. A fundamental driver of market demand is the replacement of the existing installed park. This is the leading driver for established economies where the housing stock is very high, the population growth is relatively stable and new housing build rates are relatively low.
- *First installation.* The second driver of market demand is the new installation on new build housing, or on existing households lacking hot water and heating equipment. This driver is particularly important in emerging economies, which in general have much lower penetration and where there is sizeable potential for new first installations. Some markets where the Group is present, such as Indonesia or Vietnam, have water heater penetration as low as approximately 10% and 40% respectively (compared to the United States for example, where multiple water heaters in some houses result in an overall penetration of 101% as of 2018, according to BRG).
- *Sustainability urgency*. The hot water and heating industry plays a fundamental role in the sustainability transition. For example in Europe, 36% of green-house gas emissions (**GHG**) are generated by buildings. In residential buildings, almost 80% of energy consumption is generated by hot water and heating needs. As sustainability consciousness grows around the world, and as governments pledge to achieve GHG reduction targets via international agreements (such as the Paris Agreement) and transnational commitments (such as the EU Green Deal), the heating and hot water industry is observing an accelerated penetration of high efficiency and renewable technologies, from 51% of the total market in 2021 to an expected 54% in 2024, according to BRG. This acceleration is resulting in an increase in the market value pools and higher unit prices for renewable and high efficiency solutions.
- *Regulation.* Countries are actively regulating in favour of more sustainable solutions to mitigate carbon dioxide emissions from buildings. Regulatory trends are stronger in advanced Western economies. Europe is today the most active region, also on account of the EU Green Deal, a set of policy initiatives by the European Commission with the goal of making Europe CO_2 neutral by 2050. Already since 2009, the ErP directive drove a focus on product energy efficiency (for instance, a shift from Class C and D products towards Class B and A), while recent incentives and building regulations across the different member states of EU are driving stronger penetration of renewable and high efficiency technologies. Each member state has created its own schemes aimed at encouraging this penetration, including financial incentives (directly or in the form of tax deductions) and building regulations, Examples of incentives are the Italian Superbonus (a tax credit for improving the efficiency of buildings), the French Renovation Bonus (a subsidy for families to upgrade their heating systems) and the United Kingdom Clean Heat Grant (an upfront grant to cover the cost of installing renewable technologies in buildings). An example of building regulation is the Netherlands scheme prohibiting new houses from using the existing gas network. In the United States, states with a stronger environmental agenda (for example California and Massachusetts) are mandating regulations to facilitate penetration of high efficiency and renewable technologies. In both Europe and the United States, there is growing interest in the role of electric water heaters to supply power grid flexibility as part of aggregated demand-side-management (or demand response) schemes.
- *Digital impact.* Ongoing digital impact is helping shape markets by impacting engagement with end-users and relationships with customers, new services such as connected solutions as well as new online channels and marketplaces.

Market competition

Heating and hot water markets are highly fragmented, with numerous local competitors, retailers and distributers. The Group is one of the few global companies with a balanced offering across heating and hot water markets. In addition, the Group is one of the few global companies focused solely on heating and hot water solutions through its Hot Water and Heating product categories. For example, many global competitors tend to be divisions of larger multinational engineering companies that also compete in other markets.

The Group's primary global competitors include the following:

- *AO Smith* is a global manufacturer of residential and commercial water heaters, boilers and water treatment products, headquartered in the United States. Approximately 73% of AO Smith's sales come from North America, with the majority of remaining revenue contributed from China and India.
- *NIBE Group* is a global manufacturer of heating solutions elements (components) and stoves, headquartered in Sweden. Approximately 44% of NIBE Group's sales come from Europe, 23% from Nordic Countries, 27% from North America and 6% from other areas. Separately, 65% of NIBE Group's sales come from Thermal Solutions (products for indoor thermal comfort and domestic water heating), 26% from Components and 9% from Stoves.

Hot water market

The global hot water market is expected to reach a total value of €27.9 billion by 2024. The Group participates in the heating market through its Hot Water category. Growth varies by geography, with the strongest growth forecast in Europe at a CAGR of 3.1% between 2021 to 2024, and Asia-Pacific at a CAGR of 2.8% in the same period. Overall the market is expected to grow at a CAGR of 2.4% between 2021 and 2024, with a decline in China offsetting much of the growth in other regions.

The Group has a consolidated position in the hot water market and is one of the leading global operators. The Group estimates it ranks in the top three positions in 44 countries by 2020 sales volumes.[5]

[5] To calculate actual market sizes and market shares of the Group (by volumes sold) in heating and water heating markets in established economies, the Group compares its internal data on sales volumes (as recorded in the Group's ERP systems) with the market size data provided by the Association of the European Heating Industry (EHI). In emerging economies where such official data is less readily available, the Group compares its internal

Heating market

The global heating market is expected to reach a market value of €28.4 billion by 2024. In this market, growth is varied across differing geographies, with Europe expected to experience the strongest growth at a CAGR of 7.4% between 2021 and 2024. Overall the market is expected to grow at a CAGR of over 4.8% between 2021 and 2024. The Group participates in the heating market through its Heating category.

The Group has a consolidated position in the market and it is one of the leading global entities in the heating market. The Group estimates it ranks in the top five positions in 17 countries by 2020 sales volumes.[6]

The following graphs show the growth of the hot water and heating markets individually, as well as the Group's estimated position within each.

Source: Data from BRG Building Solutions, market values forecast at constant prices (2020 or 2019, latest available) and Group estimates.

Components and burners market

Components

The Group manufactures and markets components through the Thermowatt brand, which is a technology leader in heating elements and thermostats for domestic, professional and industrial applications. The Group's addressable market for Components is broadly split over the following sectors:

- *Hot water*: including components for the electric water heaters market;
- *Major domestic appliances*: including household washing machines, as well as dryers and other appliances;
- *Professional applications*: including professional coffee machines, professional kitchens, professional ovens and professional laundry appliances; and
- *Industrial applications*: including railway applications, plastic applications and manufacturing processes.

Thermowatt holds competitive positions in its addressable markets, particularly in Europe, Middle East, Africa and Russia.

Particularly in the major domestic appliances sector, Thermowatt has been a strong participant since the 1990s, and is one of the few providers worldwide that is able to produce heating elements for washing machines on a mass scale.

Thermowatt entered the professional and industrial applications sectors in 2013, and has since been consistently growing its market share. The Components division's major competitor in these sectors is NIBE Element.

data on sales volumes (as recorded in the Group's ERP systems) to external non-public data from third-party sources that the Group deems reliable to create a basis for its actual market size and market share estimates. For more information, see "*Important Information — Market and industry data*".

[6] See note 4.

Burners

The Group manufactures and markets burners through the Elco, Cuenod, Ecoflam and BCE brands. The Group's addressable market for Components is broadly split over the following applications:

- *Residential heating*: including residential oil boilers (both standard and high efficiency) serving single houses and apartments;
- *Commercial heating*: including jet burner boilers serving multi-apartment buildings as well as government buildings;
- *Industrial heating*: including single jet burner boilers serving district heating and major public buildings;
- *Industrial boilers:* including steam boilers and diathermic oil boilers for various industrial applications such as food, wool, clothing and paper production as well as industrial laundry machines;
- *Light process:* including bakery ovens, air heaters, driers and painting booths; and
- *Mid-duty process*: including large incinerators, multi-burner boilers, exhaust fuels and ovens for various end-markets, including automotive, oil & gas, chemistry, ceramic and marine.

While the Group's product range spans all applications included in the addressable market, the Group's main competitors in this division are generally focused only on certain applications. In particular, some competitors focus their product offering on the residential heating and light process applications, while others are concentrated on light and mid-duty process applications.

ENVIRONMENTAL, SUSTAINABILITY AND GOVERNANCE

The Group has a strong ESG focus, as demonstrated by the sustainability values at the core of its mission statement, its detailed and actioned sustainability plans and its long-standing investments to develop renewable and high efficiency products. For over half a century the Group has been abiding by, and shaping its strategies around, the 1967 statement of its founder Aristide Merloni: "There is no value in the economic success of any industrial initiative unless it is accompanied by a commitment to social progress". The Group recognises the importance of doing business responsibly and reducing any adverse impact of its operations on the environment while encouraging the same of its partners, suppliers, customers and employees. For the Group, sustainability is not merely an effort to limit or adjust certain of its operations to minimise their environmental impact; creating highly efficient, sustainable products and services is a core part of the Group's mission and growth strategy. In 2017, the Group put in place its first sustainability plan, the "Road to 2022". After having come close to, or surpassed, most of the goals under this plan, the Group restated its commitments in the lead-up to its 100th anniversary. Under the "Road to 100" plan, the Group has envisioned five areas of commitment—which will continue to be based on its five corporate values: Believe in Sustainability, Inspire through Excellence, Start from Customers, People Come First and Proceed with Integrity. The Group's aim is to provide sustainable comfort for everyone through energy-efficient solutions, protecting the environment and bettering the communities it interacts with.

Believe in sustainability

The Group's solutions are driven by a belief in sustainability as a key element of its vision and mission. The Group provides highly efficient, renewable and hybrid solutions towards energy transition aiming at reducing energy consumption and environmental impact. While the Group cannot control end-users' ultimate energy usage, it aims to ensure that the energy solutions it offers are as efficient as possible. By continuously offering more high-quality and innovative renewable and high efficiency alternatives (such as a Class A ESWH (electric storage water heater) or a high efficiency wall-hung boiler) to conventional products (for example a Class D ESWH or a standard wall-hung boiler), Ariston incentivises customers and end-users to reduce their energy consumption and thus indirectly makes its own impact. As an example of the estimated difference in energy consumption between these products and their standard counterparts, a Class A ESWH consumes more than 50% less energy for the same amount of hot water produced compared to a Class D ESWH. In the Heating product category, the Group classifies as high efficiency and renewable products that are based on condensing technology (with an efficiency of over 99%) and heat pump technology (with efficiency over 100%). In the Hot Water product category, the Group classifies as high efficiency and renewable products that are based on heat pump and solar technology and condensing and low-NOX technology. Furthermore, electrical products also within the Hot Water category are classified according to the technical standards and regulations of each local market in which the Group markets its products (e.g. ErP higher or equal to Class C in Europe (when compared to previously installed park), and the top energy class in non-European countries such as South Africa, Vietnam or India).

The Group has made significant strides in creating sustainable solutions, while continuing to set more ambitious targets for the future. The Group is striving to collect more than 75% of the product-related revenues (excluding services) of its Thermal Comfort division from renewable and highly efficient products by 2024. In 2020, 72% of revenues generated by the Thermal Comfort division came from sales of such products,[7] as compared to 62% in 2018.[8] Furthermore, out of the Group's total revenues for 2020, only 39% were derived from hydro-carbon emitting products. With its concentrated efforts and investments in its renewable and high efficiency offerings, the Group believes it is well on its way to reaching its goal. For more information on these investments, see "*—Research and Development*".

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[7] In 2019, the percentage of revenues generated by renewable and highly efficient products was also 72%. Between 2019 and 2020, the Group changed the relevant perimeter by including the recently acquired companies Calorex and American Standard, which had a lower efficiency profile than the rest of the Group at the time of acquisition. Using the 2019 perimeter (excluding Calorex and American Standard), in 2020, revenues generated by sales of such products would have been 74%.

[8] Excludes the Group's zero emissions activities (i.e. services and activities related to the Components division) and the Group's activities in markets where sustainable solutions have not yet been widely established (i.e. activities related to the Burners division). The change between 2018 and 2020 is mostly accounted for by strong growth in the production of heat pumps and a high rate of conversion of gas instant products towards high efficiency and low-NOX models.

In particular, the Group contributes to the market shift towards sustainable energy, particularly in Europe. The Group's focus on energy efficiency, electrification and renewable energy in its products has driven the Group's innovation further in the direction of sustainability. By continuously increasing the volumes of products sold that are classified as renewable or high efficiency as compared to standard technology, the Group strives to continuously fulfil and increase the efficiency potential of each of its products up to 100% for its condensing technologies, and beyond 100% (because of the energy creation element) for its renewable solutions.

The Group also aims to increase the market penetration of all-electric technologies, boosting the potential to offer flexibility to power networks as part of the wider transition to renewable energy (known as Demand-Side Management or Demand Response). Furthermore, the Group is investing in developing a portfolio of products that utilises renewable fuels (biogas, biofuels and hydrogen). The Group demonstrates its commitment to reducing emissions by conducting research and development on renewable energy sources, such as biofuels and hydrogen as alternatives to natural gas. The "Close the Loop" mission also contributes to value preservation for the Group, allowing the Group to efficiently reuse and repair products rather than disposing them at the end of life. Finally, the Group seeks to increase the market penetration of renewable technologies and renewable home energy management solutions, specifically through the use of biofuels and biogas in existing technology and the use of hydrogen to further reduce CO_2 impact.

Inspire through excellence

The Group believes the way it produces and sells its products and services is a key indicator of achievements toward sustainability. Within its operations, the Group is working to boost resource productivity in a circular economy, and instilling values of responsibility along the supply chain.

In pursuit of the Group's goal to "close the loop" and create a continuous and sustainable value chain, the Group is taking tangible steps to implement production and consumption strategies throughout the lifecycle of products to achieve zero waste, value regeneration and sustainable development. To effectively close the loop in its production and consumption processes, the Group strives to use renewable energy at its production sites and within its transportation network. For example, in 2020, the Group launched a pilot initiative to monitor energy at three of its plants in Italy with the goal of reducing energy consumption by 3% year-on-year at the initial sites, aiming to gradually extend this initiative to other sites. Also, in October 2020, the Group entered into an agreement with transport company Geodis to sustainably transport the Group's products with a fleet of low CO_2 emission vehicles. The Group also uses low-emission painting and curbs polluting emissions, for example by working on the new generation of low nitrous oxide emission burners, and launching the i-GAHP project to develop technologies for the design and production of natural gas absorption heat pumps for residential use.

The Group also pursues sustainability at each stage of its value and supply chain. At the design stage, the Group creates high efficiency products, designs products for optimised transportation and minimises packaging. In the procurement process, the Group uses recycled and recyclable raw materials. In transporting its products, the Group is focused on reducing the level of carbon dioxide emissions caused by transportation vehicles and optimising sustainable transportation. Once the products arrive, the Group provides professionals with training and solutions for sustainable and efficient installation. The Group is also committed to reducing the emissions associated with the use of products with its connectivity and efficiency solutions.

Start from customers

The Group is dedicated to creating high quality products and providing excellent customer service to its end-users. The Group designs smart, efficient, user-oriented products. A passion for quality drives the Group to maintain high standards throughout its corporate processes and requires it to be selective in choosing its suppliers and partners. This ensures both the products and support services that customers rely on are delivered with a standard of care representative of the brands under the Group. As evidence of the quality of products and systems, the Company achieved an ISO 9001-2015 certification in 2020. Further, in 2020, 95% of the products sold by the Thermal Comfort division in the previous five years required no repairs intervention. The Group also offers warranties for products lasting up to 10 years.

The Group recognises the significance of the customer's experience using the product in the overall perception of its quality, which is why the relationship between the Group and the consumer continues beyond the sale of the product. In order to effectively gauge customer satisfaction and loyalty, the Group has gathered feedback from over 35,000 consumers around the world.

When intervention is necessary, the Group strives to provide high quality service to address any issues with its products. The Group provides a centralised call centre, offering consumers a single point of contact and optimising time management for local teams. For example, the Group has handled calls via multiple channels from over 25,000 customers over the past five years, and in 2020, its technicians addressed over 10,000 monthly queries, a 28% increase compared to the previous year. The Group has made significant investments in training and support for its technicians and servicers. For example, in 2018, the Group launched the Quick-Fix App that allows service providers to scan the barcode of over 3,120 products to quickly access information necessary to support customers. By 2020, the smartphone application was available in 19 languages and accessible in 32 different countries, covering all of the Group's top brands. The Group also launched a 24/7 WhatsApp chatbot in India, a direct-to-consumer service that can interact directly with customers, in addition to a technical training virtual portal to provide technicians with more resources to support customers.

People come first

The Group is committed to putting people at the centre of its processes and business: from employees to customers, to members of the communities in which it operates. The Group also invests substantially in the training and education of its employees through a series of training and promotion programmes, designed to allow employees to gain skills and to fulfil their potential

to develop into leadership positions, both at the Group and local company level. For example, the Global Leadership Program is an extensive training initiative aiming at improving the Group's managerial culture and providing tools for better leadership. Further, the Career Mapping System offers employees local and global opportunities for career mobility consistent with their personal attitude and ambitions as well as the development needs of the organisation. Currently, 78% of managerial positions are staffed internally, already exceeding the Group's target 2022 of 2022. The Group also provides the E-ICT Program, which hires and trains information technology and communications university students to begin careers in technology, manufacturing and digital fields, fostering the growth of digital culture within the Group and supporting its digital transformation efforts.

Moreover, the Group promotes diversity and employment equity standards and has received recognition for its efforts, such as with the Broad-based Black Economic Empowerment (B-BEE) certification in South Africa.

As part of the Group's commitment to sustainability, creating safe working conditions is a priority. In 2020, the Group recorded an 8% decrease in injuries in the Group production sites compared to the prior year. The Group believes that rigorous compliance with COVID-19 preventative measures and the continuous updating of its safety practices allow the Group's employees to work safely and confidently.

Proceed with integrity

The Group considers its governance a fundamental factor in its sustainability commitment. The Group strives to proceed from integrity and hold itself to high standards in its governance practices, which have been modelled upon those of Italian publicly listed companies since 2004. The Group's corporate governance practices serve as a check on its business practices and on its commitment to its vision and mission. The Group has an official board of directors, and undertakes a careful selection to ensure coverage of a range of relevant expertise on the board. The Group has also established several other board committees, including an audit committee and a compensation and talent development committee. The Group is in the process of establishing an ESG committee.

RESEARCH AND DEVELOPMENT

The Group's R&D function is an integral aspect of its sustainability, innovation and growth capabilities. R&D supports all three of the Group's business divisions: Thermal Comfort, Burners and Components. Although the core product developments originate in Italy and are disseminated through the Group's global operations, the Group also conducts R&D in 25 competence centres in four continents and is informed by local market demand. The Group's R&D centres are divided among three functions: global coordination, regional customisation and support for specific products. As such, the Group's deployment of R&D reflects the overall balancing of global presence and local involvement.

In recent years, the Group has significantly invested in renewing products in its Hot Water product category in the Thermal Comfort division. For example, in the Electric Storage Water Heaters subcategory, the Group introduced an innovative "flat" product line in 2016, renovated its round medium and small lines in 2018, and launched a stainless-steel flat product line in 2021. Within Heat Pump Water Heaters, the Group introduced a new monobloc product in 2016 which unites multiple product features into a single solution, and in 2017 introduced Lydos Hybrid, a combined storage and heat-pump hybrid solution. For Heating within Thermal Comfort, the Group has long invested in improving its ranges of Wall-Hung Boilers, and to this end, it has entirely renewed its high efficiency product ranges for Europe and North America in the last five years. The Group is also investing in hydrogen-based boilers, and in recent years, has added to its portfolio boilers that are certified to utilise a blend of natural gas and hydrogen. The Group has also continuously invested in innovation throughout the heat pump range, with the PacMan 4.0 (its fourth platform four mainstream heat pumps) being released between the end of 2021 and the beginning of 2022 in European markets, using R32 gases and offering advanced features measured by coefficient of performance (**COP**) and noise control. Finally, in the past five years, the Group invested heavily in the i-GAHP, which provides a highly efficient, renewable energy alternative to replace old gas, oil or electric boilers or heat pumps in buildings, offering convenience for installers and lower running costs for end-users.

R&D operations within the Burners and Components division also focus on creating new efficient technology. The Burners division is supported by core R&D facilities in France and Germany as well as operations in Italy. In 2020, R&D efforts for the Burners division was focused on finalising the EK-TRON Ultra Low NOX project in Resana, Italy, geared towards the Chinese market. The Components division has three dedicated R&D facilities in Italy and China. In 2020, R&D for the Components division focused on a range of new heating elements and temperature control electronics for hot water.

The Group believes that its technological advancements enable it to successfully compete in the renewable energy space in both replacement and instalment markets. The Group operates a key global data centre where it runs its most critical Group applications as well as several local data centres to provide proximity services to its brands. The Group also operates 600 servers at local levels, serving 159 office and facility locations globally, as well as about 5,000 employees with portable computers and 1,100 tablets. In light of the sustainability mission of the Group and its focus on innovation, investment in R&D will continue in order to develop future high-efficient technologies and energy transition solutions.

INTELLECTUAL PROPERTY

The Group regards its trademarks, patents, domain names, know-how, utility models, registered designs and similar intellectual property as important to its success, and it relies on trademark and patent law and confidentiality, license and proprietary rights agreements with its employees, customers, suppliers and others to protect its intellectual property rights. The Group is the legal or beneficial owner of over 530 internet domain names, including a large number of country code top-level domain extensions for the Ariston name and domain names related to the Group's product offerings.

The Group has registered a number of trademarks. On a global scale, the trademarks are: (i) Ariston, the legacy Group brand, (ii) Elco and (iii) Thermowatt. The Group also operates through other trademarks of national relevance (owned by the Group following corporate acquisitions) such as: (i) Chaffoteaux (France), (ii) ATAG (Netherlands), (iii) Calorex (Mexico) and (iv) Racold (India). The Group's trademarks are selectively registered in such a way as to ensure that each of them is protected in the main reference markets.

The current registrations of these trademarks are effective for varying periods of time and may be renewed periodically, provided that the Group, as the registered owner, or its trademark agent or licensee, where applicable, complies with all applicable renewal requirements.

In September 2021, Trane International Inc. (**Trane**) sent the Group's Mexican subsidiary, Calentadores de America SA de CV (**Calentadores**), a notice to terminate the trademark license agreement entered into with Trane in 2000 and in force until 2055, for the exclusive use by Calentadores of the trademark "American Standard" for water heater products manufactured in Mexico, the United States and Canada, and marketed, distributed and sold in United States and Canada. Calentadores is disputing the termination and the Group's legal counsel has advised the Group that the termination notice is not likely to succeed.

The Group also owns: (i) almost 300 patents (of which approximately 80 are utility models) relating to thermal comfort solutions and divided into approximately 89 patent families, and (ii) approximately 50 registered designs. Patent registration applications for over 60 patents are currently under evaluation by the competent authorities.

Patent protection varies from country to country, with most jurisdictions in which the Group operates granting protection for 20 years. The Group expects in the future to pursue additional trademark registrations to the extent it believes they would be beneficial and cost-effective. In addition to the protection of its intellectual property, the Group is also focused on ensuring that it does not infringe the intellectual property rights of others.

See "*Risk Factors—Risks related to the Group's business and industry generally—The Group's products, services and know-how may not be fully protected by its intellectual property rights, which may be infringed or challenged by third parties, and the Group may infringe third parties' intellectual property rights or be faced with claims regarding infringement with regard to the use of intellectual property*".

PROPERTY, PLANT AND EQUIPMENT

The Group's corporate headquarters are located in Milan, Italy and Fabriano, Italy (where the Group owns an office building).

The Group believes that its existing properties and planned actions are adequate for its current requirements and for its operations in the near future. The Group believes that its facilities are maintained in good condition and are generally suitable and with sufficient capacity to support its current business operations.

For traditional and high efficiency and renewable products in both water and space heating, the Group believes it has sufficient internal capacity to cover current and estimated future requirements due to multiple sites being capable of producing the same range. The only notable exception is for the North American market, for which there is already a plan in place to increase production to align it with the Group's business plan. For renewable products, the available capacity installed in the last 18 months fully covers the expected requirements and, if necessary, can be further increased with limited investments.

The main activities carried out in the Group's plants involve the assembly of components, which requires limited energy and water consumption, while actual production and transformation of raw materials is mainly limited to water tanks (e.g., bending steel and other ferrous materials and enamelling them). Although the utilisation of the Group's property, plants and equipment must comply with the applicable environmental regulations and standards of the country in which such property, plants and equipment are located. To date, the Group has not experienced material environmental issues involving its plants that affected the Group's manufacturing capabilities.

The following table provides an overview of the material real property leased by the Group as at 30 September 2021, for which annual lease contract value exceeds €100,000 or equivalent in local currency.

Name and location	Type of facility
Offices, Milan, Italy	Offices
Büro, Lager, Puidoux, Switzerland	Offices, warehouse, parking space
Building, Lichtenvoorde, Netherlands	Offices, plant, warehouse
Office and Competency Centre, Shanghai, China	Offices and competency centre
Warehouse, Hünefeld, Germany	Warehouse
Office, Saint-Denis, France	Offices
Building, Centurion, South Africa	Offices, plant, warehouse
Building, Saint John, Canada	Offices, plant, warehouse
Office, New Bedford, MA, USA	Offices
Büro, Lager, Winterthur, Switzerland	Offices, warehouse, parking space
Office, Risskov, Denmak	Offices
Office, Freetown, MA, USA	Offices
Building, Bedano, Switzerland	Offices, warehouse
Office, Pomono, California	Offices
Building, Svilajnac, Serbia	Offices, plant
Building, Geneva, Switzerland	Offices, warehouse
Office and Competency Centre, Beijing Shi, China	Offices and competency centre

Name and location	Type of facility
Building, Mörfelden, Germany	Offices, warehouse
Offices, Mexico City, Mexico	Offices

The following table provides an overview of the material real property owned by the Group as at 30 September 2021.

Name and location	Type of facility
Plant, Albacina Borgo Tufico, Italy	Plant
Headquarters, Viale Merloni 45, Fabriano Italy	Offices
Foresteria aziendale, Hotel Europa, Viale Merloni 1, Fabriano, Italy	Apartments
Laboratory and Training Centre, Via Pascoli 1, Fabriano, Italy	Labs
Office, Plant and Warehouse Albacina, Borgo Tufico, Fabriano, Italy	Offices, plant, warehouse
Office, Plant and Warehouse Arcevia, Via San Giovanni Battista, 21 Arcevia, Italy	Offices, plant, warehouse
Office, Plant and Warehouse Cerreto d'Esi, Via Alighieri 26, Cerreto, Italy	Offices, plant, warehouse
Office, Plant and Warehouse Genga, Loc. Pianello 17, Genga, Italy	Offices, plant, warehouse
Office, Plant and Warehouse Osimo, Via Cola 27 Osimo, Italy	Offices, plant, warehouse
Offices, Plant and Warehouse Resana, Via Roma 64, Resana, Italy	Offices, plant, warehouse
Offices, Plant and Warehouse Follina, Via Fossa 22, Follina, Italy	Offices, plant, warehouse
Offices, Plant and Warehouse Vsevolozhsk, Industrial zone St. Industrialnaya, 9, bldg. A., Leningrad region, Russia	Offices, warehouse
Offices, Plant and Warehouse Saltillo, Blvd Isidro Zertuche No. 1839 Saltillo, Coahulia, Mexico	Offices, plant, warehouse
Offices and Warehouse Viltrs, Sarganserstrasse 100, Vilters, Switzerland	Offices, warehouse
Offices and Warehouse Aarburg, Lindengutstrasse 16, Aarburg, Switzerland	Offices, warehouse
Office, Plant and Warehouse Chartres, 12 Rue de la Taye, Lucé, France	Offices, plant, warehouse
Office and Warehouse Lanvollon 43 Le Rochou, 22290 Tressignaux, France	Offices, warehouse
Office, Plant, Warehouse and Labs Wuxi, Xing Chuang Yi Road 9, Wuxi Singapore Industrial Park, Wuxi, Jiangsu, China	Offices, plant, warehouse
Office, Plant and Warehouse Wuxi, Xing Chuang Yi Road 9, Wuxi Singapore Industrial Park, Wuxi, Jiangsu, China	Offices, plant, warehouse
Office Hechingen, Hohenzollernstr 31, Hechingen, Germany	Offices
Office Hechingen, Kaullastrasse 11, Hechingen, Germany	Offices, warehouse, lab
Office & Plant & Warehouse Biasca, via Industria 14, Biasca, Italy	Offices, plant, warehouse
Plant Pirna, Herbert, Liebsch-Str. 4a Pirna	Plant
Office, Plant, Warehouse and Labs Pune, Chakan-Talegaon Road, Chakan, Pune, India	Offices, plant, warehouse
Office Pune – 103, Mayfair Tower, Pune, India	Offices

MATERIAL AGREEMENTS

There are no agreements (other than the facility agreements described under "*Operating and Financial Review—Description of indebtedness*" and the Underwriting Agreement described under "*Plan of Distribution*" and agreements entered into in the ordinary course of business) that have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this Prospectus, which are material or which have been entered into by the Company or any of its subsidiaries at any other time and which contain provisions under which the Company or any of its subsidiaries has an obligation or entitlement that is material to the Group as at the date of this Prospectus.

GROUP STRUCTURE

The Company is the holding company of the Group. The principal assets of the Company are equity interests it holds in its subsidiaries. The table below sets forth an overview of the Group's significant subsidiaries as at the Settlement Date. These significant subsidiaries are directly and indirectly held through intermediate holding companies, and the middle column indicates the percentage of capital held, both in terms of economic and voting rights.

Significant subsidiary	Economic interest and voting rights	Jurisdiction of incorporation
Elcotherm AG	100%	Switzerland
Ariston Thermo (China) Co., Ltd	100%	China
Ariston Thermo France SAS	100%	France
Ariston Thermo S.p.A.	100%	Italy
Thermowatt S.p.A.	100%	Italy
Calentadores de America S.A.	100%	Mexico
ATAG Heating B.V.	100%	Netherlands
Ariston Thermo Rus LLC	100%	Russia
Ariston Thermo Holding USA LLC	100%	USA
Ariston Thermo USA LLC	82.84%	USA
NTI Holding Ltd	100%	Canada
Domotec AG	100%	Switzerland
Elco Italia S.p.A.	100%	Italia
ELCO GmbH	100%	Austria
Ariston Thermo Espana SL Sociedad Unipersonal	100%	Spain

Significant subsidiary	Economic interest and voting rights	Jurisdiction of incorporation
Ariston Thermo Romania srl	100%	Romania

INSURANCE

The Group has taken out a number of group insurance policies that are customary in its industry (e.g., property and loss of earnings insurance, business liability insurance, including insurance for product liability and transport insurance) and cover all entities of the Group. The Group's insurance policies contain market-standard exclusions and deductibles. The Group regularly reviews the adequacy of its insurance coverage and considers its insurance coverage to be in line with market-standard coverage customary in its industry. There is, however, no guarantee that the Group will not suffer any losses for which no insurance coverage is available, or that the losses will not exceed the amount of insurance coverage under existing insurance policies.

The Group has also taken out a directors and officers (D&O) insurance policy that covers: (i) the current and future members of the Management Board and the Supervisory Board, (ii) Statutory Auditors of the Group, (iii) members of the Management Control Committee and the Vigilance Committee, (iv) directors of subsidiaries of the Group, (v) certain employees of the Group and its subsidiaries, and (vi) certain designated persons in accordance with Italian law. The total coverage is of up to €20 million per year, in excess of the various sub-limits depending on the specific nature of claims. The D&O insurance covers financial losses that may arise in the course of the exercise of the corporate duties of the insured persons. However, the D&O insurance policy is subject to market-standard exceptions, and the directors and officers remain liable for any claim based upon or arising from litigation initiated prior to the beginning of the policy period.

LEGAL PROCEEDINGS

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware), during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Group's financial position or profitability.

REGULATORY

Applicable legal framework

The Group is affected by an extensive range of statutes, laws and regulations in the countries and markets in which it operates. In particular, the Group is subject to various supranational, national, and local laws and regulations applicable to businesses generally, including, but not limited to, laws pertaining to consumer protection, product safety, quality and liability, health and safety, environmental (including, as regards atmospheric gas emissions, energy consumption reduction), fire planning, landlord/tenant, competition, advertising, tax, data protection, and labour and employment practices (including pensions). The Group is also subject to other laws and regulations which apply to retailers generally or govern the import, export, promotion and sale of products, or portion thereof, and the operation of retail stores and distribution centres. These laws are administered by various regulatory bodies in the countries in which the Group operates.

Legal and regulatory developments may have significant impact on the definition of the products, production planning (in terms of both the time required to apply the requested design changes and the product mix and production cycles), but also on management of the inventory of products in the phase-in and phase-out process, as well as on total average sales margins. Furthermore, changes in legislation and official regulations may entail stricter requirements and changes in health, safety and environmental conditions or progress towards stricter official application of legislation and regulation, which may require additional investment and lead to higher expenses, and other undertakings for the Group.

The Certification & Regulation function of the Group examines technical product standards and ensures that the production process and goods produced fully comply with the laws applicable in the various countries. The Certification & Regulation function constantly monitors legal and regulatory developments within its purview and works with the other functions and the Group's management to determine the operating strategy and the most appropriate actions to be taken. Also, the Group's participation into technical working groups and trade associations helps in monitoring the changes and updates concerning laws and regulations at a local level. The Group additionally avails itself of software adequate to detect the publishing of new statutory and regulatory requirements.

Any governmental initiatives aimed at stimulating or steering consumer demand, for example, in the form of incentives for the purchase of products, may also affect the Groups revenue performance.

Product safety, quality and liability

As regards quality standards, the Group is subject to, and complies with, the national and international laws and regulations in force in the various countries in which its products are marketed. Such laws and regulations normally entail the assumption of typical manufacturer's liability for damages caused by defective products (such as the EU Directive 85/374/CE).

In particular, the quality and safety of the Group's products are assured by either test reports, certificates or licenses issued by international certification authorities, or by performance and quality tests carried out by the Group accredited laboratories. The Group's controls on product conformity are mainly centralised, but are also carried out through a synergic action with the destination markets where the products will then be marketed.

The Group's products sold in the European Union are EC marked, which certifies compliance of the products with the relevant requirements set forth in the applicable European directives.

The applicable statutes, regulations and laws in the various countries in which the Group's products are marketed may specify requirements for the technical properties of the Group's products, and verification and products' approval by local test institutes may be required.

The Group pursues the goal of maximum product quality and safety, through the use of specialist functions charged with studying technical product legislation, drafting and implementing structured, standardised quality procedures and controls that extend to the selection of suppliers, to production lines and management of possible crisis situations according to protocols compliant with European laws and regulations. The Group undertakes adequate investments to ensure the development of safe products in compliance with the applicable laws and regulations.

In addition, the Group also carries extensive product liability insurance cover, which is deemed adequate to its risks.

Despite the breadth and depth of the safeguards implemented, it is not possible to exclude manufacturing defects or insufficient insurance cover in some circumstances, resulting in possible damages or negative consequences for the management and development of the Group's activities.

Environmental matters and workplace health and safety issues

The Group has properties and premises in a large number of jurisdictions. The Group is subject to a wide variety of national and supranational laws and regulations on environment protection in force in the various countries where the Group operates. In order to ensure its compliance with such statutory and regulatory provisions, the Group has adopted an environmental management system, which is certified by the British Standards Institution in accordance with the international standard ISO 14001:2015.

The Group is also subject to extensive laws and regulations in order to protect the health and safety of its workers, also by preventing accidents and professional illnesses, or environmental pollution (including, for example, uncontrolled emissions or inadequate waste disposal activities). The Group aims at complying with the applicable laws and regulations to the maximum possible extent in this respect. In particular, the Group conducts a systematic assessment of its workplaces, in order to minimise

any risks deemed unacceptable. The Group has adopted a health and safety management system, which is certified by the British Standards Institution in accordance with the international standard ISO 450012018.

Both the Group's environmental and health and safety management systems are highly intertwined and also integrated with the quality management system (which, in turn, is certified in accordance with the international standard ISO 9001:2015) and, therefore, they form the basis of the Group's corporate strategy aimed at the constant improvement of the Group's policies on environment and health and safety on workplaces.

The Group has also adopted a management system manual on health, safety and environment (the **HSE Management System Manual**). The HSE Management System Manual structures the management system according to a cyclical sequence of planning, implementation, monitoring and review phases and provides all the Group's levels with harmonised instruments and guidelines for pursuing the objectives expressed by the Group's policies on health and safety and the environment and for ensuring the Group's legislative and regulatory compliance, also at a local level.

In particular, pursuant to the HSE Management System Manual, the management system is grounded on the following main processes:

- analysis of the context for assessing the external and internal elements of relevance for the Group's objectives, which may influence the Group's ability to achieve the expected outcomes;
- definition of an organisational structure that ensures the interactions between the corporate function and the local structures with the aim of ensuring the systematic governance on environmental matters and on health and safety;
- definition of a process for assessing the environmental aspects associated to manufacturing processes, products and services;
- definition of a methodology for evaluating the risks with the aim of better and constantly identifying the hazards and of controlling all the risks to which employees, suppliers, visitors and any other persons having access to the workplaces may be exposed;
- definition of a process for pre-emptively intercepting and managing any changes that could affect systems and processes with the aim of monitoring the potential impact on the environment and on the health and safety of workers;
- definition of a process for ensuring that all the applicable legal and regulatory requirements are identified and constantly updated in order to reflect any potential amendments and changes;
- definition of a process of internal auditing with the aim of verifying the effectiveness of the environmental and health and safety management systems, of ensuring the correct implementation within the Group of the procedures identified by the management system, and also of leading the local structures in identifying the corrective and improvement measures necessary for ensuring the legislative compliance, the achievement of the set objectives and the constant improvement; such process provides annual auditing of the Group's manufacturing sites;
- the Group's top management, at scheduled times, reviews the management system for ensuring its constant suitability, adequacy and effectiveness.

Following the last review by the Group's top management, as reported in the HSE management review dated 25 February 2021, throughout 2020 the Group recorded positive results as to both environmental matters and health and safety of workers: reductions of 3% of the energy consumption, 5% of the quantity of waste generated per unit of product, 8% of total injuries, 12% of injury frequency rate and 22% of the injury severity rate were realised.

Trade restrictions

Trade restrictions, such as embargoes or sanction regimes introduced by the European Union, the United States, the United Nations, other organisations or individual countries may create obstacles to transactions between companies in different countries. In case of infringement of the trade restrictions, sanctions may apply. Trade restrictions may be introduced at short notice and may be difficult to anticipate. The introduction of new trade restrictions may limit the ways in which the Group is able to conduct its operations. The products and the products' components of the Group do not fall within the scope of application of the Council Regulation (EC) No. 428/2009 of 5 May 2009 (the **Export Control Regulation**). However, should the Export Control Regulation be amended, and certain products or products' components be included in the Export Control Regulation's list, this may affect the Groups' earnings.

Data protection and privacy law

The Group is subject to expansive regulations regarding the use of personal data. In particular, the Group is subject to the General Data Protection Regulation (EU) 2016/679 (the **GDPR**) which applies to the processing of personal data in the context of the activities of an establishment of a 'data controller' or a 'data processor' in the European Union, regardless of whether the processing takes place in the European Union or not. The GDPR protects the processing of 'personal data', which is defined as any information relating to an identified or identifiable natural person.

The GDPR has increased the regulatory burden of the Group, introducing significant requirements for data controllers in relation to processing activities, including, without limitation, the processing of special categories of data, profiling and automated decision making, and additional rights for data subjects.

CAPITALISATION AND INDEBTEDNESS

The tables below set out the Group's consolidated capitalisation and indebtedness as at 30 September 2021, on an actual basis, and as adjusted to reflect the issue of the New Offer Shares (assuming an Offer Price in the middle of the Offer Price Range, expenses, commission and taxes related to the Offer and Admission payable by the Company being €25 million and payment in full of the discretionary commission to the Underwriters (see "*Plan of Distribution*")).

The information set forth in the table below should be read in conjunction with, and is qualified by reference to, "*Operating and Financial Review*" and the Financial Statements.

Capitalisation

	As at 30 September 2021	**Adjustments[3]**	**As adjusted**
		(Unaudited) *(in millions of euros)*	
Total current debt (including current portion of non-current debt))	**825**	**-**	**825**
Guaranteed	-	-	-
Secured[1]	1	-	1
Unguaranteed/Unsecured	824	-	824
Total non-current debt (excluding current portion of non-current debt)	**612**	**-**	**612**
Guaranteed	-	-	-
Secured[1]	2	-	2
Unguaranteed/Unsecured	610	-	610
Shareholders' equity	531	275	806
Share capital	46	0	46
Other reserves[2]	485	275	760
Total	**1,968**	**275**	**2,243**

(1) Includes liabilities related to financial leases.
(2) Other reserves include retained earnings and the profit for the period.
(3) Amounts net of expenses, commission and taxes related to the Offer and Admission payable by the Company, being €25 million.

The table below sets out the Group's indebtedness as at 30 September 2021.

Indebtedness

	As at 30 September 2021	Adjustments [4]	As adjusted
		(Unaudited) *(in millions of euros)*	
A. Cash	392	275	667
B. Cash equivalents	-	-	-
C. Other current financial assets	5	-	5
D. Liquidity (A + B + C)	**397**	**275**	**672**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)[1]	111	-	111
F. Current portion of non-current financial debt[2]	20	-	20
G. Current financial indebtedness (E + F)	**131**	**-**	**131**
H. Net current financial indebtedness (G - D)	**(266)**	**(275)**	**(541)**
I. Non-current financial debt (excluding current portion and debt instruments)[3]	440	-	440
J. Debt Instruments	-	-	-
K. Non-current trade and other payables	3	-	3
L. Non-current financial indebtedness (I + J + K)	**443**	-	**443**
M. Total financial indebtedness (H + L)	**177**	**(275)**	**(98)**

(1) Includes liabilities associated to put and call over non-controlling interests equal to €29 million
(2) Includes liabilities related to leases equal to €15 million
(3) Includes liabilities related to leases equal to €36 million
(4) Amounts net of expenses, commission and taxes related to the Offer and Admission payable by the Company. being €25 million

There has been no material change in the Group's capitalisation or indebtedness since 30 September 2021.

Working capital statement

In the opinion of the Company, the Group's working capital is sufficient to meet its present requirements over at least the next twelve months following the date of this Prospectus.

SELECTED FINANCIAL AND OTHER INFORMATION

The following tables set forth the Group's selected consolidated income statement, selected consolidated statement of financial position and selected consolidated statement of cash flows and other financial data as at the dates and for the periods indicated. The selected consolidated financial information as at and for the years ended 31 December 2020, 2019 and 2018 has been derived from the Annual Financial Statements, and the selected consolidated financial information as at and for the nine months ended 30 September 2021 has been derived from the Interim Financial Statements. The selected consolidated financial information set out below may not contain all of the information that is important to prospective investors and, accordingly, should be read in conjunction with the Financial Statements, "*Important information*" and "*Operating and Financial Review*".

Consolidated income statement

	Nine months ended 30 September		Year ended 31 December		
	2021 (Unaudited)	2020 (Unaudited)	2020	2019	2018
	(*in millions of euros*)				
Revenue	1,412	1,130	1,664	1,710	1,612
Other revenues and income	24	17	28	22	36
Total revenues and other income	**1,436**	**1,147**	**1,692**	**1,732**	**1,648**
Purchase of raw materials, consumables and goods for resale, net	608	468	701	749	700
Cost of services	306	227	325	340	332
Personnel cost	308	285	387	388	371
Depreciation and amortisation	56	58	78	74	68
Provisions and write-downs	12	12	19	16	23
Other operating expenses	23	21	33	31	27
Total operating expenses	**1,314**	**1,072**	**1,543**	**1,598**	**1,522**
Operating profit	**123**	**75**	**149**	**134**	**127**
Financial income	3	2	2	4	3
Financial expense	(9)	(13)	(15)	(17)	(18)
Exchange rate gains/losses	1	(2)	(3)	(0)	(5)
Net financial expenses	**(5)**	**(13)**	**(16)**	**(14)**	**(21)**
Other profit (loss) on investments	(3)	1	(1)	5	5
Profit before taxes	**115**	**64**	**132**	**126**	**111**
Income taxes	2	18	35	37	29
Net profit for the period	**113**	**46**	**97**	**89**	**82**

Consolidated statement of the financial position

	As at 30 September	As at 31 December		
	2021 (Unaudited)	2020	2019	2018
	(*in millions of euros*)			
Non-current assets				
Intangible assets	397	391	411	337
Property, plant and equipment	342	341	369	338
Investment in associates & Joint ventures	3	0	0	0
Deferred tax assets	125	58	50	46
Financial assets	5	4	3	2
Non-current financial assets	-	5	4	4
Other non-current assets	8	8	6	6
Total non-current assets	**880**	**808**	**844**	**732**
Current assets				
Inventories	385	265	276	269
Trade receivables	228	228	238	206
Tax receivables	19	12	16	11
Current financial assets	12	10	16	10
Other current assets	52	37	32	30
Cash and cash equivalents	392	452	313	309
Total current assets	**1,087**	**1,005**	**891**	**834**
Total assets	**1,968**	**1,813**	**1,736**	**1,566**

Shareholders' equity				
Share capital	46	42	42	42
Share premium reserve	-	24	24	24
Retained earnings and other reserves	372	284	368	316
Profit for the period attributable to equity holders of the parent	113	97	89	82
Total shareholders' equity	**531**	**447**	**522**	**464**
Non-current liabilities				
Tax payables	7			
Deferred tax liabilities	49	32	32	34
Non-current provisions for risks and charges	51	52	46	39
Provisions for employee benefits	54	58	58	54
Non-current loans	440	390	434	357
Other non-current liabilities	11	40	42	63
Total non-current liabilities	**612**	**572**	**612**	**547**
Current liabilities				
Trade payables	431	364	331	297
Tax payables	45	22	19	18
Current provisions for risks and charges	36	31	29	29
Current financial liabilities	82	33	43	39
Current loans	20	188	22	25
Other current liabilities	212	156	156	146
Total current liabilities	**825**	**794**	**601**	**555**
Total liabilities and equity	**1,968**	**1,813**	**1,736**	**1,566**

Consolidated statement of cash flows

	Nine months ended 30 September		Year ended 31 December		
	2021 (Unaudited)	**2020 (Unaudited)**	**2020**	**2019**	**2018**
	(in millions of euros)				
A. Net cash flow from operating activities	102	92	251	194	124
B. Net cash flow from investing activities	(42)	(41)	(84)	(222)	(99)
C. Net cash flow from financing activities	(136)	262	(17)	27	(44)
D. Total cash flow (A+B+C)	**(76)**	**313**	**150**	**(1)**	**(18)**
E. Cash and cash equivalents at the beginning of the period	431	296	296	291	310
F. Effect of changes in exchange rates	11	(14)	(15)	4	(1)
G. Cash and cash equivalents at the end of the period	365	595	431	296	291
H. Changes cash and cash equivalents (G-F-E)	**(76)**	**313**	**150**	**(1)**	**(18)**

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	As at 30 September		As at 31 December		
	2021 (Unaudited)	**2020 (Unaudited)**	**2020**	**2019**	**2018**
	(in millions of euros)				
Cash and cash equivalents (as included in the statement of the financial position)	392	619	452	313	309
Short-term bank notes or similar tradable instruments and others	5	9	8	20	6
Bank overdrafts	(20)	(21)	(21)	(25)	(24)
Notes payable	(12)	(12)	(9)	(12)	-
Cash and cash equivalents (as included in the statement of cash flows)	**365**	**595**	**431**	**296**	**291**

Non-IFRS Measures and other metrics

The Non-IFRS Measures are not recognised measures of financial performance under IFRS and have not been audited or reviewed. These Non-IFRS Measures and other metrics are presented because they are used by management to monitor the performance of the business and operations. These measures also provide additional information to investors to enhance their understanding of the Group's results.

	As at and for the nine months ended 30 September		As at and for the year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
	(Unaudited) (*in millions of euros unless otherwise indicated*)				
EBITDA	179	133	227	209	195
Adjusted EBITDA	191	141	239	223	202
EBITDA Margin	12.7%	11.8%	13.6%	12.2%	12.1%
Adjusted EBITDA Margin	13.5%	12.5%	14.4%	13.0%	12.5%
EBIT	123	75	149	134	127
Adjusted EBIT	136	84	164	149	134
EBIT Margin	8.7%	6.7%	9.0%	7.9%	7.9%
Adjusted EBIT Margin	9.6%	7.5%	9.8%	8.7%	8.3%
Adjusted Net Result	100	53	107	102	88
Net Working Capital	182	-	129	182	177
Working Capital Turnover	12.9%	-	7.8%	10.5%	10.9%
Net Financial Indebtedness [1]	177	-	176	219	171
Net Financial Position	139	-	144	167	98
Free Cash Flow	38	53	186	111	23
Net Employed Capital	670	-	590	689	562
ROE	21.3%	-	21.7%	17.3%	17.6%
ROI	18.3%	-	25.3%	20.2%	22.6%
Adjusted ROI	20.3%	-	27.8%	22.3%	24.0%
ROS	8.7%	6.7%	9.0%	7.9%	7.9%
Adjusted ROS	9.6%	7.5%	9.9%	8.7%	8.3%
Cash Conversion	79.7%	87.5%	81.2%	77.1%	69.3%

(1) Calculated based on ESMA recommendations 32-382-1138 issued on 4 March 2021.

The following table sets forth a reconciliation of EBITDA and Adjusted EBITDA to profit for the periods indicated:

	Nine months ended 30 September		Year Ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
	(Unaudited) (*in millions of euros*)				
Net profit for the period	113	46	97	89	82
Income taxes	2	18	35	37	29
Profit (loss) on investments	3	(1)	1	-5	-5
Net financial expenses	5	13	16	14	21
Depreciation and amortisation	56	58	78	74	68
EBITDA	**179**	**133**	**227**	**209**	**195**
Special Items related to EBITDA[1]	12	8	12	14	8
Adjusted EBITDA	**191**	**141**	**239**	**223**	**202**

(1) Special Items related to EBITDA include:

	Nine months ended 30 September		Year Ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
	(Unaudited) (*in millions of euros*)				
Restructuring and footprint[a]	8	8	10	13	5
Other	3	-	2	1	3
Special Items related to EBITDA	**12**	**8**	**12**	**14**	**8**

(a) Includes net expenses incurred for restructuring or reorganisational costs and individual or collective employment termination agreements.

The following table sets forth a calculation of EBITDA Margin and Adjusted EBITDA Margin for the periods indicated:

	Nine months ended 30 September				Year Ended 31 December					
	2021	**%**	**2020**	**%**	**2020**	**%**	**2019**	**%**	**2018**	**%**
	(Unaudited) *(in millions of euros unless otherwise indicated)*									
Revenue	1,412		1,130		1,664		1,710		1,612	
EBITDA	179		133		227		209		195	
Adjusted EBITDA	191		141		239		223		202	
EBITDA Margin		**12.7%**		**11.8%**		**13.6%**		**12.2%**		**12.1%**
Adjusted EBITDA Margin		**13.5%**		**12.5%**		**14.4%**		**13.0%**		**12.5%**

The following table sets forth a reconciliation of EBIT and Adjusted EBIT to profit for the periods indicated:

	Nine months ended 30 September		Year ended December 31		
	2021	**2020**	**2020**	**2019**	**2018**
	(Unaudited) *(in millions of euros)*				
Net profit for the period	113	46	97	89	82
Income taxes	2	18	35	37	29
Profit (loss) on investments	3	(1)	1	(5)	(5)
Other financial income	(3)	(2)	(2)	(4)	(3)
Other financial expenses	8	15	18	17	23
EBIT	**123**	**75**	**149**	**134**	**127**
Special Items related to EBIT(1)	13	9	15	14	8
Adjusted EBIT	**136**	**84**	**164**	**149**	**134**

(1) Special Items related to EBIT include:

	Nine months ended 30 September		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
	(Unaudited) *(in millions of euros)*				
Special Items related to EBITDA	**12**	**8**	**12**	**14**	**8**
Amortisation of PPA	2	2	2	-	-
Special Items related to EBIT	**13**	**9**	**15**	**14**	**8**

The following table sets forth a calculation of EBIT Margin and Adjusted EBIT Margin for the periods indicated:

	Nine months ended 30 September				Year ended 31 December					
	2021	**%**	**2020**	**%**	**2020**	**%**	**2019**	**%**	**2018**	**%**
	(Unaudited) *(in millions of euros unless otherwise indicated)*									
Revenue	1,412		1,130		1,664		1,710		1,612	
EBIT	123		75		149		134		127	
Adjusted EBIT	136		84		164		149		134	
EBIT Margin		**8.7%**		**6.7%**		**9.0%**		**7.9%**		**7.9%**
Adjusted EBIT Margin		**9.6%**		**7.5%**		**9.8%**		**8.7%**		**8.3%**

The following table sets forth a reconciliation of Net Result Adjusted to profit for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(Unaudited) (*in millions of euros*)		
Net Profit for the period	113	46	97	89	82
Special Items related to Net Result[1]	(14)	7	**11**	**13**	**6**
Adjusted Net Result	**100**	**53**	**107**	**102**	**88**

(1) Special Items related to Net Result include:

	Nine months ended 30 September		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(Unaudited) (*in millions of euros*)		
Special Items related to EBIT	**13**	**9**	**15**	**14**	**8**
Tax effect on Special Items related to EBIT	(3)	(2)	(5)	(4)	(2)
Special Items on Income taxes (Initial recognition of DTA due to tax revaluation)	(24)	-	-	-	-
Special Items on Income taxes (tax audit)	-	-	-	3	-
Special Items related to Net Result	**(14)**	**7**	**11**	**13**	**6**

The following table sets forth the calculation of Net Working Capital for the periods indicated:

	As at 30 September	As at 31 December		
	2021	**2020**	**2019**	**2018**
		(Unaudited) (*in millions of euros*)		
Trade receivables	228	228	238	206
Inventories	385	265	276	269
Trade payables	(431)	(364)	(331)	(297)
Net Working Capital	**182**	**129**	**182**	**177**

The following table sets forth a reconciliation of Working Capital Turnover for the periods indicated:

	As at 30 September	As at 31 December		
	2021	**2020**	**2019**	**2018**
				(Unaudited)
		(*in millions of euros unless otherwise indicated*)		
Net working capital	182	129	182	177
Revenue	1,412	1,664	1,710	1,612
Working Capital Turnover	**12.9%**	**7.8%**	**10.5%**	**10.9%**

The following table sets forth the calculation of Net Financial Position for the periods indicated:

	As at 30 September	As at 31 December		
	2021	**2020**	**2019**	**2018**
		(Unaudited) (*in millions of euros*)		
A. Cash and cash equivalent and current financial assets	(404)	(462)	(329)	(314)
B. Current financial liabilities	82	33	43	32
C. Current loans	20	188	22	25
D. Current net financial indebtedness (A+B+C)	**(302)**	**(241)**	**(264)**	**(256)**
E. Non-current loans	440	390	434	357
F. Non-current financial liabilities	-	-	-	-
G. Non-current net financial position (E+F)	**440**	**390**	**434**	**357**

H. Net financial indebtedness (G+D)	**139**	**149**	**170**	**101**
I. Non-current financial assets	-	(5)	(4)	(4)
J. Net Financial Position (H+I)	**139**	**144**	**167**	**98**

The following table sets forth the calculation of Net Financial Indebtedness (calculated accordingly to ESMA recommendations 32-382-1138 issued on 4 March 2021) for the periods indicated:

		As at 30 September	**As at 31 December**		
		2021	**2020**	**2019**	**2018**
			(Unaudited) (*in millions of euros*)		
A	Cash	392	452	311	308
B	Cash and cash equivalents	-	-	2	1
C	Other current financial assets	5	8	15	4
D	**Liquidity (A+B+C)**	**397**	**460**	**329**	**313**
E	Current financial debt	111	36	64	53
F	Current portion of non-current financial debt	20	188	22	25
G	**Current financial indebtedness (E+F)**	**131**	**224**	**86**	**79**
H	**Net current financial indebtedness (G-D)**	**(266)**	**(237)**	**(243)**	**(235)**
I	Non-current financial debt	440	390	434	357
J	Debt instruments	-	-	-	-
K	Non-current trade and other payables	3	23	28	48
L	**Non-current financial indebtedness (I+J+K)**	**443**	**413**	**462**	**405**
M	**Net Financial Indebtedness (H + L)**	**177**	**176**	**219**	**171**

The following table sets forth the reconciliation between Net Financial Position and Net Financial Indebtedness calculated accordingly to ESMA recommendations 32-382-1138 issued on 4 March 2021.

	As at 30 September	**As at 31 December**		
	2021	**2020**	**2019**	**2018**
		(Unaudited) (*in millions of euros*)		
Net Financial Position (as presented by the Group)	139	144	167	98
Liabilities associated to put and call over non-controlling interests	32	25	49	69
Non-current financial assets (Escrow)	5	5	4	4
Positive fair-market value of derivatives	1	2	1	-
Net Financial Indebtedness (as per ESMA)	**177**	**176**	**219**	**171**

The following table sets forth the calculation of Free Cash Flow for the periods indicated:

	Nine months ended 30 September		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
			(Unaudited) (*in millions of euros*)		
Net cash flow from operating activities	**102**	**92**	**251**	**194**	**124**
Investments in intangible assets	(9)	(8)	(14)	(16)	(16)
Investments in property, plant and equipment	(40)	(22)	(47)	(68)	(68)
Financial income/expense collected/paid	(2)	(5)	(7)	(5)	(5)
Income/expense on exchange rate	(4)	(2)	(0)	(7)	(9)
Excluding IFRS 16 effect and other	(8)	(5)	(3)	12	2
Including change in escrow account and derivatives fair value	(1)	2	5	-	(6)
Free Cash Flow	**38**	**53**	**186**	**111**	**23**

The following table sets forth the calculation of Net Employed Capital for the periods indicated:

	As at 30 September	As at 31 December		
	2021	2020	2019	2018
		(Unaudited) (*in millions of euros*)		
Net Working Capital	182	129	182	177
Fixed assets	739	733	781	675
Other assets and liabilities	(251)	(272)	(274)	(290)
Net Capital Employed	**670**	**590**	**689**	**562**

The following table sets forth the calculation of ROE for the periods indicated:

	Nine months ended 30 September	Year ended 31 December		
	2021	2020	2019	2018
		(Unaudited) (*in millions of euros*)		
Net profit for the period	113	97	89	82
Total equity	531	447	522	464
ROE	**21.3%**	**21.7%**	**17.3%**	**17.6%**

The following table sets forth the calculation of ROS and Adjusted ROS for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2021	2020	2020	2019	2018
		(Unaudited) (*in millions of euros unless otherwise indicated*)			
EBIT	123	75	149	134	127
Revenue	1,412	1,130	1,664	1,710	1,612
ROS	**8.7%**	**6.7%**	**9.0%**	**7.9%**	**7.9%**

The following table sets forth the calculation of Adjusted ROS and Adjusted ROS for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2021	2020	2020	2019	2018
		(Unaudited) (*in millions of euros unless otherwise indicated*)			
Adjusted EBIT	136	84	164	149	134
Revenue	1,412	1,130	1,664	1,710	1,612
Adjusted ROS	**9.6%**	**7.5%**	**9.9%**	**8.7%**	**8.3%**

The following table sets forth the calculation of ROI and Adjusted ROI for the periods indicated:

	Nine months ended 30 September	Year ended 31 December		
	2021	2020	2019	2018
		(Unaudited) (*in millions of euros unless otherwise indicated*)		
EBIT	123	149	134	127
Net Capital Employed	670	590	689	562
ROI	**18.3%**	**25.3%**	**20.2%**	**22.6%**

The following table sets forth the calculation of Adjusted ROI for the periods indicated:

	Nine months ended 30 September	Year ended 31 December		
	2021	**2020**	**2019**	**2018**
	(Unaudited)			
	(in millions of euros unless otherwise indicated)			
Adjusted EBIT	136	164	149	134
Net Capital Employed	670	590	689	562
Adjusted ROI	**20.3%**	**27.8%**	**22.3%**	**24.0%**

The following table sets forth the calculation of Cash Conversion for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
	(Unaudited)				
	(in millions of euros unless otherwise indicated)				
Adjusted EBITDA (A)	191	141	239	223	202
Capex (B)	39	18	45	51	62
Cash Conversion (A-B)	**152**	**123**	**194**	**172**	**140**
Cash Conversion % (A-B)/A	**79.7%**	**87.5%**	**81.2%**	**77.1%**	**69.3%**

OPERATING AND FINANCIAL REVIEW

The following is a discussion and analysis of the Group's results of operations and financial condition as at and for the nine months ended 30 September 2021 and the years ended 31 December 2020, 2019 and 2018. Except where otherwise noted below in "*—Selected key business metrics*", the discussion of the Group's results of operations below is based on financial information extracted without adjustment from the Financial Statements. The discussion in this section contains forward-looking statements that reflect the Group's plans, estimates and beliefs and involve risks and uncertainties. The Group's actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in "*Risk Factors*" and "*Important information—Information regarding forward-looking statements*".

The following discussion of the financial condition and results of operations of the Group should be read in conjunction with the rest of this Prospectus, including the information set forth in "*Selected Financial Information*" and the Financial Statements beginning on page F-1 of this Prospectus.

For a discussion of the presentation of the Group's historical financial information included in this Prospectus, see "*Important Information—Presentation of financial and other information*". For a reconciliation of Non-IFRS Measures to their most directly comparable IFRS measures, see "*Selected Financial and Other Information—Non-IFRS Measures and other metrics*".

Overview

The Group is a global provider of sustainable comfort solutions for hot water and space heating. The Group's mission is to become the world's preferred partner in delivering energy efficient and renewable solutions for hot water and heating needs. The Group believes it has a distinctive global footprint in terms of market access and operations, with a capacity to feel "at home" around the world, as well as a solid portfolio of renewable and high efficiency products and solutions across its hot water and heating product categories. The Group has deployed a targeted approach to profitable growth over time, mixing organic expansion with inorganic investments.

The Group, headquartered in Fabriano, Italy, sells its products in approximately 150 countries, including 42 countries where it operates directly. Global in nature, the Group generated 89% of its revenues outside of Italy in 2020. The Group believes its heritage global brand Ariston, its global brand Elco, as well as strong local brands, including ATAG, Chaffoteaux, Racold, American Standard and Calorex, are trusted by industry professionals and end-users alike and are closely associated with hot water and heating around the world. The Group combines global presence with local action, leveraging its existing network of brands and an extensive manufacturing and supply chain footprint.

The Group offers heating and hot water solutions via a wide array of high-quality products (including heat pumps and smart thermostats, high efficiency boilers and water heaters) and systems (including hybrid heat-pumps and boiler systems, boilers and indirect cylinders), as well as pre-sales and post-sales services, including direct maintenance and repair. In 2020, the Group sold approximately 7.5 million products and 34 million components across the world. The Group's offering of products and systems is complemented by pre-sales direct support, post-sales business-to-customer (B2C) maintenance and repair services for end-users provided in many core countries by the Group's own field engineers as well as third-party technical service centres, and business-to-business (B2B) support services for installers and service technicians. The Group also provides innovative digital functions for guided installation and repairs, connectivity tools and remote maintenance services.

The Group operates through three divisions: Thermal Comfort, Components and Burners. The divisions are strategically focused on the Group's two main product categories: Hot Water and Heating. Thermal Comfort is by far the largest division, representing 91% of the Group's revenue for 2020. Thermal Comfort serves the Hot Water and Heating product categories via its centrally managed operations, including product development, research and development (**R&D**), supply chain and procurement. The Group has divided its Thermal Comfort division into 42 markets organised into five geographical areas: Europe, Central Europe, the Americas, Asia and the Middle East and Africa (**MEA**). The two other divisions are Components and Burners which support Hot Water and Heating, respectively. Components, representing 4% of the Group's revenue for 2020, focuses on water heating elements and thermostats and provides upstream technology integration for the Thermal Comfort division. Burners, representing 5% of the Group's revenue for 2020, delivers products and solutions to supply the B2B heating needs of large commercial, process and industrial companies.

Furthermore, for the nine months ended 30 September 2021, the Group reported Adjusted EBITDA of €191 million (Adjusted EBITDA Margin of 13.5%), Adjusted EBIT of €136 million (Adjusted EBIT Margin of 9.6%), and free cash flow of €38 million. For the year ended 31 December 2020, the Group reported Adjusted EBITDA of €239 million (Adjusted EBITDA Margin of 14.4%),Adjusted EBIT of €164 million (Adjusted EBIT Margin of 9.8%), and free cash flow of €186 million.

Basis of presentation

The Company is the legal successor of Ariston Thermo Holding S.p.A.(old), incorporated as a joint-stock company (*società per azioni*) under the laws of Italy on 21 July 1986 as Merloni Invest S.p.A. Immediately after the Restructuring became effective (see "*Description of Share Capital and Corporate Structure—General—Restructuring*"), the Company was redomiciled to the Netherlands, converted into a Dutch public company with limited liability (*naamloze vennootschap*) and renamed Ariston Thermo Holding N.V. by a notarial deed executed on 10 June 2021, effective on 15 June 2021. On 16 September 2021, the Company was renamed Ariston Holding N.V. The Annual Financial Statements have been prepared by Ariston Thermo Holding S.p.A. (old), while the Interim Financial Statements have been prepared by Ariston Holding N.V., without any significant change in consolidation due to the Restructuring.

Segment information

The Group's operations are organised in three divisions, based on its products, services and solutions (Thermal Comfort, which is composed of Hot Water Technologies and Heating Solutions and Services, Burners and Components). The Group has aggregated these operating segments into a single reportable operating segment, having assessed that such divisions have similar economic characteristics and are similar in each of the following respects: nature of the products and services, nature of the production processes, type or class of customer for their products and services, and methods used to distribute their products or provide their services.

Current trading and recent developments

As of the date of this Prospectus, there has been no significant change in the financial position or financial performance of the Group since 31 December 2020. For the nine months ended 30 September 2021, the Group's revenue was €1,412 million, an increase of 25% compared to the same period in 2020, due to a generalised growth in volumes and a recovery in market demand following the slowdown in 2020 caused by the COVID-19 pandemic. In most of the markets in which the Group operates, the demand was even higher compared to 2019 due in part to environment-related government subsidies and incentive programs. The Thermal Comfort division had especially strong steady growth in its European markets and its key markets in the other geographical areas. More specifically, the Heating Solutions and Services segment saw steady growth in Eastern Europe, Canada as well as Switzerland and the domestic Italian market, especially with respect to renewable energy heat pump solutions. The Hot Water Technology business segment reported solid growth in all markets as well. The Burners division also recovered from a declining 2020, whilst the Components division, previously reporting different trends in its different segments, recovered with an overall double-digit growth.

Key factors affecting the Group's performance

The Group describes below the main factors that affected its performance for the nine months ended 30 September 2021 and the years ended 31 December 2020, 2019 and 2018.

COVID-19

The macroeconomic environment is currently uncertain as result of the ongoing COVID-19 pandemic. Between February and March 2020, following the global spread of COVID-19, the authorities of most countries, including the Italian government, took restrictive measures to contain the further spread of the pandemic. Among these, the most significant resulted in restrictions and controls on the movement of people and the closure of production plants and offices. These measures have had a significant negative impact on financial markets and economic activities at a global and domestic level, resulting in a dramatic decline in world production and consumption. Since the fourth quarter of 2020, restrictive measures have begun to be lifted globally as a result of the initial success of social distancing measures and the introduction of vaccines. However, due to the emergence of variant strains and the reprise of certain activities, restrictive measures have also at points during this time period been re-introduced. Although many restrictions have been lifted, the trajectory of the COVID-19 pandemic is uncertain. Throughout 2020, the trend in revenue was closely related to the COVID-19 health emergency, whose impact started to become apparent in March 2020 and then peaked early in the second quarter following the strict lockdowns introduced in almost all of the Group's main markets, bringing a consolidated and continued growth trend in revenue to a halt. In the following months, however, as these measures were gradually eased, sales showed signs of an increasingly robust recovery, which exceeded initial expectations, driven by European markets. As a result, the Group's annual revenues for 2020 were able to bounce back from the double-digit contraction experienced at the beginning of the year to a 2.7% decline for the full year.

The Group acted early to protect first its employees and communities, mandating specific prevention and measures to monitor the global environment, ensuring the safety of employees, preserving to the extent possible the normal course of business operations, securing the supply chain and distribution to customers, and monitoring operating costs, investments and liquidity.

The Group made the safety of its workforce a priority by taking the steps required to minimise the risk of contagion among employees, such as switching to teleworking, implementing social distancing measures, providing and requiring the adoption of personal protective equipment, sanitising premises, testing, organising staggered work shifts for employees on-site, and cancelling all travel, all this while preserving business continuity and duly complying with emergency laws passed by local authorities in the Group's countries of operation. In addition, based on applicable local regulations, mainly in the second quarter of 2020 the Group temporarily suspended production at some of its manufacturing plants.

To offset the fallout of the pandemic on its financial performance and financial position, the Group has adopted several precautionary strategies. Starting from March 2020, the Group has implemented measures intended to protect profitability and cash flows by containing costs, revising investment plans, and tightly monitoring credit policies as well as collection and payment times, in turn managing existing and future cash flows. With respect to financing activities, the Group acted to pre-empt potential stress situations by introducing more flexibility in its cash management, drawing down existing and unused revolving credit facilities as a temporary precautionary measure and entering into additional short term loan agreements with its main financial partners of €170 million. In the second half of 2020, the Group, having confirmed its positive cash generation, completely refunded these revolving credit facilities, while the additional loan agreements were refinanced in May 2021 with the 2021 Facility Agreement. No major changes were noted either in relationships with customers, including with respect to changes in payment terms, refund periods or other concessions, or in the Company's ability to fulfil orders. Similarly, the Group did not experience any material increase in cost of services.

In 2020, the Group incurred costs of €5 million that were directly related to COVID-19 for personal protective equipment for employees, and for extraordinary transportation for finished products and components as a result of temporary suspension of production at some of its manufacturing plants. Compared to 2019, however, the Group incurred lower costs in other areas, such

as personnel costs, due to lower social contributions being made, the receipt of states aid and holiday reversals, as well as lower travel expenses and renegotiation of multi-period leases, for a total of €24 million. From a cash flow perspective, the postponing of tax advance payments as well as lower social contributions and state grants received (United States and Canada) had a positive impact on the Net Financial Position by €22 million. Part of this effect was reversed in 2021, during which higher taxes are to be paid along with regular levels of social contributions, with no additional state grants received.

The measures the Group implemented to contain costs during the COVID-19 pandemic also included the temporary hiring freeze, selective cancellation of secondary activities and low-priority non-strategic marketing investments, suspension of discretionary costs such as consulting services and non-essential travel. In addition, the Group has been monitoring existing investment plans to defer or scale back low-priority projects.

The above measures are temporary and therefore these reductions may not be representative for future periods. The effective and timely implementation of the above measures, combined with the sector's resilience to adverse business cycles and the Group's geographic diversification, allowed the Group to significantly limit the impact of declining sales (-2.7% year-on-year).

Group's global presence

During the years ended 31 December 2020, 2019 and 2018, the Group continued to grow and strengthen its position in the markets in which it operates. The Group believes that the combination of the Group's global presence and supporting infrastructure with the historical loyalty to its local brands allows it to hold leading positions and provides opportunities to grow further. During the period from 2018 to 2020, the Group reported increasing revenues, highlighting its strength and stability, including during periods of global instability such as the COVID-19 pandemic.

The Group believes that its global presence strongly contributed to its stability through macroeconomic cycles, thanks to the ability to offset downturns in some countries with higher growth in other countries. This is one of the reasons why the Group was able to continue to improve its overall performance between 2018 and 2020, notwithstanding the impact of COVID-19.

In Europe, the Group recorded revenue of €1,114 million in 2018, €1,137 million in 2019 and 1,145 million in 2020 representing a year-on-year growth of 2.1% between 2018 and 2019 and of 0.7% between 2019 and 2020. In Asia and MEA the Group recorded revenue of €369 million in 2018, €360 million in 2019 and 297 million in 2020 representing year-on-year variation of -2.4% between 2018 and 2019 and -17.5% between 2019 and 2020. This decrease had been influenced by the reduction in 2019 of the Chinese government's coal-to-gas subsidies (a governmental policy aimed at encouraging the use of natural gas to replace coal in the heating system in winter), that contributed to 2018 revenue in this area. In Americas, the Group recorded revenue of €129 million in 2018, €212 million in 2019 and €222 million in 2020 representing year-on-year variation of 64.3% between 2018 and 2019 and 4.7% between 2019 and 2020. This increase was driven by the acquisition in May 2019 of the Calorex Group, which in the year ended 31 December 2019 contributed €77 million in revenue (€108 million if the combination had taken place at the beginning of the 2019) and €9 million in operating profit.

The Group's operations are carried out in international markets, through companies based in countries that deal with currencies other than the euro. Therefore, Group's revenues, costs, receivables and payables are denominated in various currencies and may be affected by foreign currency fluctuations, with consequent impact on revenue and net profit. With respect to the periods under review, the exposure to currency fluctuations had an impact on operating profit of €(10) million and €7 million in the year ended 31 December 2020 and 2019, respectively, as the effect on revenue was substantially offset by the effects on the corresponding costs.

This Group's overall positive performance was mainly attributable to its main competitive strengths, including (i) the Group's collection of iconic brands, such as the core heritage brand Ariston and other global brands Elco, Thermowatt and Ecoflam, as well as local brands, such as ATAG, Racold and Calorex, trusted by industry professionals and end users alike; (ii) global expansion with local action, leveraging the existing network of its brands and an extensive manufacturing and supply chain footprint; (iii) client support through post-sales support and indirect services for installers, end-users and service technicians, through the full product lifecycle, with innovative digital functions for guided installation and repairs, connectivity tools and predictive maintenance services.

Research and development investments dedicated to renewable products

The Group's aim is to provide the leading, highest-efficiency products and technologies available in each of its product lines.

To maintain the technology and innovation leadership in its products, the Group, during the period from 2018 to 2020, consistently invested I n technology and product development and commitment to sustainability.

During the period under review, the Group's investment research and development activities primarily focused on the following:

- in February 2020 the Group has launched Andris2 in Indonesia, a new platform for small capacity electric storage water heaters featuring new technological solutions such as Wi-Fi, titanium heating elements that come with a lifetime warranty, and automatic temperature control to regulate heat and optimise consumption;
- in April 2020, the Group launched the new ESWH (electric storage water heater) product range in China, featuring clean line technology that allows removing chlorine and heavy metals from water. By combining this with the Ag+ antibacterial function, Ariston can provide customers with cleaner water, delivering the highest comfort possible;
- in Europe, the Group launched water heaters with dry heating technology which eliminates the need to empty water when repairing or replacing heating equipment. In the first half of 2020, the Group also introduced instantaneous electric water heaters in Mexico, South Africa, Vietnam and Singapore;
- the Group launched a new platform for wall-hung and floor standing condensation gas broilers, providing advanced efficiency and low emissions, modulation and accessibility features;

- in the Burners division, the Group focused on finalising the EK-TRON Ultra Low NOX project in Resana, Italy, geared at the Chinese market.

Focus on cash flow generation and management

During the years ended 31 December 2020, 2019 and 2018 and in the nine months ended 30 September 2021, the Group focused on cash generation, reporting a cumulative Free Cash Flow of €320 million in the three years ended 31 December 2020. The Group also managed the level of its Net Working Capital through a strong focus on improving its policies for managing collections and payments as well as liquidity by implementing new targets for collections (reduction of DSO) and reduction of overdues (even during COVID-19 pandemic) in each country, improving payments terms with supplier, optimising levels of inventories and aligning the working capital of the Calorex to the Group best in class practices. As a result of these measures, the Group's Working Capital Turnover decreased from 10.9% in the year ended 31 December 2018 to 7.8% in the year ended 31 December 2020.

Selected key business metrics

The table below presents the Group's Non-IFRS Measures as at and for the periods indicated (see "*Selected Financial and Other Information—Non-IFRS Measures and other metrics*" for further information as to how these Non-IFRS Measures and other metrics have been defined).

	As at and for the nine months ended 30 September		As at and for the year ended 31 December		
	2021	2020	2020	2019	2018
	(Unaudited) (*in millions of euros unless otherwise indicated*)				
EBITDA	179	133	227	209	195
Adjusted EBITDA	191	141	239	223	202
EBITDA Margin	12.7%	11.8%	13.6%	12.2%	12.1%
Adjusted EBITDA Margin	13.5%	12.5%	14.4%	13.0%	12.5%
EBIT	123	75	149	134	127
Adjusted EBIT	136	84	164	149	134
EBIT Margin	8.7%	6.7%	9.0%	7.8%	7.9%
Adjusted EBIT Margin	9.6%	7.5%	9.8%	8.7%	8.3%
Adjusted Net Result	100	53	107	102	88
Net Working Capital	182	-	129	182	177
Working Capital Turnover	12.9%	-	7.8%	10.5%	10.9%
Net Financial Indebtedness (1)	177	-	176	219	171
Net Financial Position	139	-	144	167	98
Free Cash Flow	38	53	186	111	23
Net Employed Capital	670	-	590	689	562
ROE	21.3%	-	21.7%	17.3%	17.6%
ROI	18.3%	-	25.3%	20.2%	22.6%
Adjusted ROI	20.3%	-	27.8%	22.3%	24.0%
ROS	8.7%	6.7%	9.0%	7.9%	7.9%
Adjusted ROS	9.6%	7.5%	9.9%	8.7%	8.3%
Cash Conversion	79.7%	87.5%	81.2%	77.1%	69.3%

(1) Calculated based on ESMA recommendations 32-382-1138 issued on 4 March 2021.

Consolidated income statement

The financial information set forth below for the years ended 31 December 2020, 2019 and 2018 has been extracted or derived from, and should be read in conjunction with, the Annual Financial Statements. The financial information set forth below for the nine months ended 30 September 2021 and 2020 has been extracted or derived from, and should be read in conjunction with, the Interim Financial Statements.

	Nine months ended 30 September		Year ended 31 December		
	2021 (Unaudited)	**2020 (Unaudited)**	**2020**	**2019**	**2018**
	(*in millions of euros*)				
Revenue	1,412	1,130	1,664	1,710	1,612
Other revenues and income	24	17	28	22	36
Total revenues and other income	**1,436**	**1,147**	**1,692**	**1,732**	**1,648**
Purchase of raw materials, consumables and goods for resale, net	608	468	701	749	700
Cost of services	306	227	325	340	332
Personnel cost	308	285	387	388	371
Depreciation and amortisation	56	58	78	74	68
Provisions and write-downs	12	12	19	16	23
Other operating expenses	23	21	33	31	27
Total operating expenses	**1,314**	**1,072**	**1,543**	**1,598**	**1,522**
Operating profit	123	**75**	**149**	**134**	**127**
Financial income	3	2	2	4	3
Financial expense	(9)	(13)	(15)	(17)	(18)
Exchange rate gains/losses	1	(2)	(3)	(0)	(5)
Net financial expenses	**(5)**	**(13)**	**(16)**	**(14)**	**(21)**
Other profit (loss) on investments	(3)	1	(1)	5	5
Profit before taxes	**115**	**64**	**132**	**126**	**111**
Income taxes	2	18	35	37	29
Net profit for the period	**113**	**46**	**97**	**89**	**82**

Description of key income statement line items

Revenue

In order to recognise 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 recognising 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 recognise 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 either over time or at a point in time. In applying the aforementioned model, the Group takes into consideration the specific facts and circumstances of the transaction, in compliance with the regulations in place in the various jurisdictions where the Group companies operate.

In addition, the line item "Revenues" includes the main variable considerations, which in the case of the Group are largely associated with payables to customers. These consist of charges for commercial and marketing services received from customers, discounts granted on payments to customers for prepayments, and YEBs (year-end-bonuses). YEBs are retroactive year-end bonuses awarded to customers upon meeting specified sales targets, when the amount of products purchased during the period exceed an agreed threshold, offset against the amounts payable to the customer. Revenue from the sale of goods is recognised at a point in time on the basis of the means of delivery agreed with the customer (Incoterms), while revenues from the sale of services and warranties are recognised over the entire contractual period on the basis of a straight-line method.

Other revenues and income

Other income primarily includes extraordinary income related to obligations that are no longer due, gains on the disposal of fixed assets, and other income.

Change in inventories

Change in inventories includes the effect of the change in the amounts of inventories occurring between the beginning and the end of the period.

Purchase of raw materials, consumables and goods for resale, net

Purchase of raw materials, consumables and goods for resale primarily includes costs for purchase of raw materials and finished products, net of the effect of the change in the amounts of inventories occurring between the beginning and the end of the period.

Cost of services

Cost of services primarily includes logistics and transport, sub-contracted work, advertising and promotion, rental and lease expenses, utilities, bonuses and commissions, consulting services, sub-contracted maintenance, technical support and other costs.

Personnel cost

Personnel cost primarily includes expenditures for wages and salaries, social security charges and post-employment benefits.

Depreciation and amortisation

Depreciation and amortisation includes impairment loss and depreciation of tangible assets and impairment loss and amortisation of intangible assets.

Provisions and write-downs

Provisions and write-downs includes accruals of provisions for bad debt, warranty, installation, legal disputes, restructuring and other provisions and write-downs.

Other operating expenses

Other operating expenses primarily includes non-income tax, losses on receivables, concession rights and other operating expenses.

Net financial expenses

Financial income and expenses primarily includes bank interests and income, interests on derivative financial instruments and other passive interests and actual gain or losses realised or ascertained at the exchange rate in force at the date of close of the related financial statements.

Other profit (loss) on investments

Other profit (loss) on investments mainly includes change in the value of obligations relating to put and call options connected to acquisitions.

Income taxes

Income taxes consists of the sum of current and deferred taxes on the profit for the period.

COMPARISON OF THE NINE MONTHS ENDED 30 SEPTEMBER 2021 AND 2020

	Nine months ended 30 September		**Change**	
	2021	**2020**	**Variation**	**%**
	(Unaudited) *(in millions of euros)*			
Revenue	1,412	1,130	282	25.0%
Other revenues and income	24	17	7	40.9%
Total revenues and other income	**1,436**	**1,147**	**289**	**25.2%**
Purchase of raw materials, consumables and goods for resale, net	608	468	140	29.9%
Cost of services	306	227	79	35.0%
Personnel cost	308	285	23	8.0%
Depreciation and amortisation	56	58	(2)	(3.0)%
Provisions and write-downs	12	12	-	(3.6)%
Other operating expenses	23	21	2	8.0%
Total operating expenses	**1,314**	**1,072**	**242**	**22.6%**
Operating profit	**123**	**75**	**48**	**63.2%**
Financial income	3	2	1	18.6%
Financial expense	(9)	(13)	4	(29.9)%
Exchange rate gains/losses	1	(2)	3	(161.7)%
Net financial expenses	**(5)**	**(13)**	**8**	**(61.8)%**
Other profit (loss) on investments	(3)	1	(4)	(340.5)%
Profit before taxes	**115**	**64**	**51**	**79.2%**
Income taxes	2	18	(16)	(90.1)%
Net profit for the period	**113**	**46**	**67**	**143.7%**

Revenue and other income

The following table sets forth revenue and other income for the nine months ended 30 September 2021 and 2020:

	Nine months ended 30 September	
	2021	2020
	(Unaudited) (in millions of euros)	
Revenue	1,412	1,130
Other operating income	24	17
Total revenue and other income	**1,436**	**1,147**

Revenue

Set out below is a breakdown of the Group's revenue by operating division and main geographical areas. These breakdowns do not correspond to reporting segments under IFRS 8 and the information, which is unaudited, has been derived from management accounts and systems. The Group's revenue as presented in such management accounts does not correspond with that presented in its Financial Statements and differs mainly in respect of certain deductibles that are normally taken into account for the purpose of calculating revenue in accordance with IFRS.

Revenue by geographic area

The following table sets forth revenue and other income broken down by geographical area for the nine months ended 30 September 2021 and 2020:

	Nine months ended 30 September,			
	2021	%	2020	%
	(Unaudited) (*in millions of euros unless otherwise indicated*)			
Europe	974	69.0%	793	70.2%
Asia & MEA	245	17.4%	186	16.4%
Americas	193	13.6%	151	13.3%
Total	**1,412**		**1,130**	

Europe. Europe represents the Group's largest market, recording revenue of €974 million for the nine months ended 30 September 2021, or 69% of total revenue, compared to €793 million, or 70.2%, in the nine months ended 30 September 2020 representing an increase of €181 million or 22.8%. The increase was mainly due to the strong recovery in the Group's main European markets compared to the first part of 2021, during which the effects of the COVID-19 pandemic had the greatest impact, and the growth of the Group's renewable products.

Asia & MEA. Asia and MEA represent the Group's second largest market, recording revenue of €245 million for the nine months ended 30 September 2021, or 17.4% of total revenue, compared to €186 million, or 16.4%, in the nine months ended 30 September 2020, representing an increase of €59 million, or 31.7%. The increase was mainly due to the strong recovery in India, China and Africa, compared to the first part of 2021, during which the effects of the COVID-19 pandemic had the greatest impact.

Americas. Americas represents the Group's third largest market, recording revenue of €193 million for the nine months ended 30 September 2021, or 13.6% of total revenue, compared to €151 million, or 13.3%, in the nine months ended 30 September 2020, representing an increase of €42 million, or 27.8%. The increase was mainly due to the significant growth in the water heating market in the United States and Mexico.

Other operating income

Other operating income for the nine months ended on 30 September 2021 was €24 million, representing an increase of €7 million or 40.9%, compared to €17 million recorded for the nine months ended 30 September 2020. The increase was attributable primarily to the increase of €6 million for contingency gains and Ecobonus government stimulus.

Purchase of raw materials, consumables and goods for resale, net

The following table sets forth a breakdown of purchase of raw materials, consumables and goods for resale, net for the nine months ended 30 September 2021 and 2020:

	Nine months ended 30 September	
	2021	2020
	(Unaudited) (*in millions of euros*)	
Raw materials, consumables and goods for resale	722	502
Changes in inventories	(113)	(33)
Total purchase of raw materials, consumables and goods for resale, net	**608**	**468**

Purchase of raw materials, consumables and goods for resale, net increased by 29.9%, or €140 million, to €608 million for the nine months ended 30 September 2021 as compared to €468 million for the nine months ended 30 September 2020, mainly due to the combined effect of (i) an increase of €220 million related to Raw materials, consumables and goods for resale due to a significant increase in prices for the main raw materials (steel, copper, polypropylene) used by the Group starting from the first quarter of 2021 and (ii) an increase of €80 million in changes in inventories that was primarily the result of the increase in raw materials consumed as a percentage of revenues.

Purchase of raw materials, consumables and goods for resale, net amounted to 43.1% of revenue in 2021 as compared to 41.4% in 2020.

Cost of services

Cost of services increased by 35.0%, or €79 million, to €306 million for the nine months ended 30 September 2021 compared to €227 million for the nine months ended 30 September 2020.

The generalised contraction and optimisation of costs carried out during 2020 due to the Covid-19 pandemic came to an end from first quarter 2021 and, consequently, in the first nine months of 2021, the Group's ongoing growth in the various sectors of Climate Solutions impacted the variable costs relating to sales and production, with an increase mainly in "Logistic and transport" (due to increased volumes and prices), "Sub-contracted work" (due to greater volumes manufactured), "Bonuses and commissions" and "Consulting services", the latter mainly due to the end of the generalised contraction in costs resulting from the Covid-19 pandemic and to the Ecobonus government stimulus.

Personnel cost

Personnel cost increased by 8%, or €23 million, to €308 million for the nine months ended 30 September 2021 as compared to €285 million for the nine months ended 30 September 2020.

	Nine months ended 30 September	
	2021	**2020**
	(Unaudited) *(in millions of euros)*	
Wages and salaries	242	226
Social security costs	52	48
Provision for employees severance indemnity	5	4
Other personnel costs	9	7
Total personnel cost	**308**	**285**

The increase in personnel cost was mainly due to the normal trend of salary inflation (fixed and variable components, including long-term incentive plans) in the various countries where the Group operates, as well to organisational changes. The Group's workforce increased by 308 employees from 7,384 as at 30 September 2020 to 7,692 as at 30 September 2021.

Depreciation and amortisation

The following table sets forth a breakdown of depreciation and amortisation for the nine months ended 30 September 2021 and 2020:

	Nine months ended 30 September	
	2021	**2020**
	(Unaudited) *(in millions of euros)*	
Amortisation of intangible fixed assets	13	13
Depreciation of property, plant and equipment	27	27
Depreciation of right of use	16	18
Depreciation and amortisation	**56**	**58**

Amortisation of intangible fixed assets remained stable in comparison to the nine months ended 30 September 2020 at €13 million.

Depreciation of property, plant and equipment remained stable in comparison to the nine months ended 30 September 2020 at €27 million.

Depreciation of right of use decreased by 11.3%, or €2 million, to €16 million for the nine months ended 30 September 2021 as compared to €18 million for the nine months ended 30 September 2020. The decrease was mainly due to the combined effect of the termination of certain existing leases and the renewal of certain leases at a lower price.

Provisions and write-downs

The following table sets forth a breakdown of provisions and write-down for the nine months ended 30 September 2021 and 2020:

	Nine months ended 30 September	
	2021	2020
	(Unaudited) *(in millions of euros)*	
Product warranty provision	7	5
Provision for installation	2	2
Bad debt provision	1	1
Provision for restructuring	3	3
Other provisions and write-downs	(1)	1
Total provisions and write-downs	**12**	**12**

Provisions and write-downs remained stable in comparison to the nine months ended 30 September 2020 at €12 million, with changes due to: (i) an increase of €2 million in the product warranty provision due to an increase in sales volumes and (ii) a decrease of €2 million in other provisions and write-downs due to a reduction of the provision previously taken in relation to a quality issue in the South African market.

Other operating expenses

The following table sets forth a breakdown of other operating expenses for the nine months ended 30 September 2021 and 2020:

	Nine months ended 30 September	
	2021	2020
	(Unaudited) *(in millions of euros)*	
Non-income tax and taxes	5	4
Losses on receivables	1	1
Office supplies and printing	1	1
Concession rights and other	2	3
Subsidies and contributions	-	1
Other operating expenses	13	12
Total operating expenses	**23**	**21**

Other operating expenses increased by 8.0%, or €2 million, to €23 million for the nine months ended 30 September 2021 as compared to €21 million for the nine months ended 30 September 2020. The increase was mainly due to the combined effect of (i) an increase of €1 million related to property taxes and income taxes and (ii) an increase in the sub-line item other operating expenses of €1 million, mainly due to an increase of differences between accruals made in previous periods and costs actually incurred, amounting to €6 million for the nine months ended 30 September 2021 as compared to €4 million for the nine months ended 30 September 2020.

Financial income

The following table sets forth a breakdown of financial income for the nine months ended 30 September 2021 and 2020:

	Nine months ended 30 September	
	2021	2020
	(Unaudited) *(in millions of euros)*	
Interest income on bank current accounts	1	1
Financial income on provisions for employee benefits	-	1
Other financial income	2	-
Total Financial income	**3**	2

Financial income increased by 18.6%, or €1 million, to €3 million for the nine months ended 30 September 2021 as compared to €2 million for the nine months ended 30 September 2020. The increase was attributable to the combined effect of (i) an increase of €2 million in other financial income due to the impact of Ecobonus, an Italian government incentive, in which the Company started to participate on December 2020 and (ii) a decrease of €1 million in financial income on provisions for employee benefits as a result of the changes in the average actuarial rate as per IAS 19 of the Company's Swiss subsidiary.

Financial expense

The following table sets forth a breakdown of financial expenses for the nine months ended 30 September 2021 and 2020:

	Nine months ended 30 September	
	2021	2020
	(Unaudited) *(in millions of euros)*	
Interest expense on MLT bank loans	4	6
Interest expense on ST bank loans	-	1
Interest expense on financial leasing	1	1
Financial expense on provisions for employee benefits	-	1
Other financial expense	3	4
Total Financial expense	**9**	**13**

Financial expense decreased by 29.9%, or €4 million, to €9 million for the nine months ended 30 September 2021 as compared to €13 million for the nine months ended 30 September 2020. The decrease was mainly due to the combined effect of (i) the decrease by €3 million in interest expense on ST and MLT bank loans as a result of the decreased drawdown on revolving lines of credit, (ii) a decrease in financial expense on provisions for employee benefits due to the change in the average actuarial rate as per IAS 19 of the Company's Swiss subsidiary and (iii) the decrease in other financial expense of €1 million, mainly due to the reduction in interest on discounting from the fair value measurement of the obligations associated with the acquisitions made in previous periods, under which put and call options are to be exercised in the future to obtain total control.

Exchange rate gains/losses

The following table sets forth a breakdown of exchange rate gains/losses for the nine months ended 30 September 2021 and 2020:

	Nine months ended 30 September	
	2021	2020
	(Unaudited) *(in millions of euros)*	
Exchange rate gains	13	16
Exchange rate losses	(17)	(18)
Unrealised exchange rate gains	8	9
Unrealised exchange rate losses	(2)	(10)
Total exchange rate gains/losses	**1**	**(2)**

For the nine months ended 30 September 2021, the Group recorded an exchange rate gain of €1 million as compared to an exchange rate loss of €2 million for the nine months ended 30 September 2020. Exchange rate gains and losses include the monetary changes on the accounting entries that were realised at the end of the reporting period. Unrealised exchange rate gains and 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 positively affected by revaluation in the U.S. dollar and Russian rouble against Euro and U.S. dollar.

Profit (loss) on investments

Loss on investments for the nine months ended 30 September 2021 amounted to €3 million compared to a gain of €1 million for the nine months ended 30 September 2020. The decrease was mainly due to the write-off on other investments related to the revaluation of the put and call options connected to acquisitions.

Income taxes

In 2021, the Group took advantage of an exceptional tax measure in Italy that allowed companies to revalue, under certain conditions, the net book value of selected tangible and intangible assets. The revaluation is available to companies who prepare their financial statements according to Italian accounting principles and not International Accounting Standards. The revaluation is also recognised for tax purposes provided that a 3% substitute tax is paid. The Group's Italian companies benefitted from this tax measure and marked up the value of certain tangible and intangible assets (i.e., trademarks, patents, software and tangible goods). The revaluation has also been recognised for tax purposes with the payment of the 3% substitute tax granting an expected tax benefit of 28.7% of the revaluation value. The depreciation of the revalued assets started from 2021 and, considering the assets amortization period, the higher value of the vast majority of assets is expected to be depreciated on a declining basis over the next 20 years.

The Group accrued the tax benefit deriving from the revaluation in 2021, having taken the decision to benefit from such measure after the approval of 2020 Group's financial statements. According to the Group's policy, only the deferred tax assets expected to be realised over a 5-year period are accrued, provided that the assets' recoverability is properly documented. In relation to the revaluation, a benefit of €24 million has been initially accrued in 2021, while the benefit for the subsequent years will be gradually accrued provided that the conditions of the deferred tax assets recoverability are met.

The following table sets forth a breakdown of income taxes for the nine months ended 30 September 2021 and 2020:

	Nine months ended 30 September	
	2021	2020
	(Unaudited) (in millions of euros)	
Profit before tax	115	64
Current taxes	52	23
Deferred taxes	(50)	(5)
Total taxes	**2**	**18**
Average rate	*1.5%*	*27.5%*

Income taxes expenses decreased by 90.1%, or €16 million, to €2 million for the nine months ended 30 September 2021 as compared to €18 million for the nine months ended 30 September 2020. Current taxes increased by €29 million due to (i) €19 million related to the 3% withholding tax due to the revaluation of tangible and intangible assets carried out in Italy for statutory and tax purposes pursuant to art. 110 of Law Decree no. 104/2020, converted into Law no. 126/2020 and (ii) the increase of profit before taxes in the various jurisdiction in which the Group operates. Deferred taxes increased by €45 million, to €50 million for the nine months ended 30 September 2021 as compared to €5 million for the prior nine months ended 30 September 2020, primarily due to the revaluation of tangible and intangible assets of €40 million carried out in Italy for statutory and tax purposes pursuant to art. 110 of Law Decree no. 104/2020, converted into Law no. 126/2020 and not recognised in the IFRS financial statements.

COMPARISON OF THE YEARS ENDED 31 DECEMBER 2020 AND 2019

	Year ended 31 December		Change	
	2020	2019	Variation	%
	(in millions of euros)			
Revenue	1,664	1,710	(46)	(2.7)%
Other revenues and income	28	22	6	27.3%
Total revenues and other income	**1,692**	**1,732**	**(40)**	**(2.3)%**
Purchase of raw materials, consumables and goods for resale, net	701	749	(48)	(6.4)%
Cost of services	325	340	(15)	(4.3)%
Personnel cost	387	388	(1)	(0.3)%
Depreciation and amortisation	78	74	4	4.4%
Provisions and write-downs	19	16	3	23.9%
Other operating expenses	33	31	2	5.3%
Total operating expenses	**1,543**	**1,598**	**(55)**	**(3.4)%**
Operating profit	**149**	**134**	**15**	**10.9%**
Financial income	2	4	(2)	(40.2)%
Financial expense	(15)	(17)	2	(15.3)%
Exchange rate gains/losses	(3)	(0)	(3)	n.s.
Net financial expenses	**(16)**	**(14)**	**(2)**	**15.6%**
Other profit (loss) on investments	(1)	5	(6)	(126.4)%
Profit before taxes	**132**	**126**	**6**	**4.9%**
Income taxes	35	37	(2)	(4.2)%
Net profit for the period	**97**	**89**	**8**	**8.6%**

Revenue and other income

The following table sets forth revenue and other income for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	(in millions of euros)	
Revenue	1,664	1,710
Other operating income	28	22
Total revenue and other income	**1,692**	**1,732**

Revenue

Set out below is a breakdown of the Group's revenue by operating division and main geographical areas. These breakdowns do not correspond to reporting segments under IFRS 8 and the information, which is unaudited, has been derived from management

accounts and systems. The Group's revenue as presented in such management accounts does not correspond with that presented in its Financial Statements and differs mainly in respect of certain deductibles that are normally taken into account for the purpose of calculating revenue in accordance with IFRS.

Revenue by division

The following table sets forth revenue by division, for the years ended 31 December 2020 and 2019:

	Year ended 31 December			
	2020	**%**	**2019**	**%**
	(Unaudited) *(in millions of euros unless otherwise indicated)*			
Thermal comfort	1,511	91%	1,539	91%
Of which Hot water		*44%*	*n.a.*	
Of which Heating		*47%*	*n.a.*	
Components	69	4%	77	4%
Burners	84	5%	94	5%
Total	**1,664**		**1,710**	

Thermal Comfort. Thermal Comfort, which serves both of the Group's two main business categories, Hot Water and Heating, represents the Group's largest division, recording revenue of €1,511 million for the year ended 31 December 2020, or 91% of total revenue, compared to €1,539 million, or 91%, in the year ended 31 December 2019 representing a decrease of €28 million or 1.8%. The COVID-19 pandemic has significantly affected markets across all the main geographies in which the Group operates, particularly in the first half of the year. Despite rising demand levels in the second half of the year, the market for domestic water heating systems declined overall in 2020, while in the last few months of 2020 the space heating market is estimated to have recouped most of the volumes lost in the first half of the year.

Components. Components recorded revenue of €69 million for the year ended 31 December 2020, or 4% of total revenue, compared to €77 million, or 4%, in the year ended 31 December 2019. The decline in revenue by €8 million or 10.3% was mainly due to the decrease in demand levels resulting from the COVID-19 pandemic, particularly in the professional products range.

Burners. Burners recorded revenue of €84 million for the year ended 31 December 2020, or 5% of total revenue, compared to €94 million, or 5% of total revenue, for the year ended 31 December 2019 representing a decrease of €10 million or 10.6%. The decrease in revenue was primarily due to a decrease in demand levels in the Burners division's primary markets resulting from the COVID-19 pandemic. Revenue by geographic area

The following table sets forth revenue and other income broken down by geographical area for the years ended 31 December 2020 and 2019:

	Year ended 31 December,			
	2020	**%**	**2019**	**%**
	(Unaudited) *(in millions of euros unless otherwise indicated)*			
Europe	1,145	69%	1,137	67%
Of which Italy		*11%*		*11%*
Asia & MEA	297	18%	360	21%
Americas	222	13%	212	12%
Total	**1,664**		**1,710**	

Europe. Europe represents the Group's largest market, recording revenue of €1,145 million for the year ended 31 December 2020, or 69% of total revenue, compared to €1,137 million, or 67%, in the year ended 31 December 2019 representing an increase of €8 million or 0.7%. The increase was mainly due to a strong economic recovery from the COVID-19 pandemic in the second half of 2020 (spread among Group's material European markets), and a new acquisition in Germany (Kesselheld, effective April 2020).

Asia & MEA. Asia and MEA represent the Group's second largest market, recording revenue of €297 million for the year ended 31 December 2020, or 18% of total revenue, compared to €360 million, or 21%, in the year ended 31 December 2019, representing a decrease of €63 million or 17.5%. The decrease was mainly due to the slump in demand resulting from the COVID-19 pandemic, especially in China, India and Vietnam.

Americas. Americas represents Group third largest market, recording revenue of €222 million for the year ended 31 December 2020, or 13% of total revenue, compared to €212 million, or 12%, in the year ended 31 December 2019 representing an increase of €10 million, or 4.7%. The increase was mainly due to the full year effect of the Calorex acquisition (effective May 2019) that partially offset the decline in demand resulting from the COVID-19 pandemic and the unfavourable exchange rate (between USD and MXN).

Other operating income

Other operating income for the year ended on 31 December 2020 was €28 million, representing an increase of €6 million or 27.3%, compared to €22 million recorded in the prior year. The increase was attributable primarily to (i) €2 million of support

grants received in connection with COVID-19, (ii) €1 million of gain on disposal of tangible fixed assets, (iii) €1 million of income for differences between accruals made in previous periods and costs actually incurred and (iv) €1 million for the non-financial components of derivatives in hedge accounting.

Purchase of raw materials, consumables and goods for resale, net

The following table sets forth a breakdown of purchase of raw materials, consumables and goods for resale, net for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	(in millions of euros)	
Raw materials, consumables and goods for resale	705	758
Changes in inventories	(4)	(9)
Total purchase of raw materials, consumables and goods for resale, net	**701**	**749**

Purchase of raw materials, consumables and goods for resale, net decreased by 6.4% or €48 million, to €701 million for the year ended 31 December 2020 as compared to €749 million for the year ended 31 December 2019, principally as a result of the decrease in production volumes.

Purchase of raw materials, consumables and goods for resale, net amounted to 42.1% of revenue in 2020 as compared to 43.8% in 2019. The decrease is mainly due to the combined effect of: (i) reduced production volumes attributable to the COVID-19 pandemic compared to the previous year, resulting in lower supply requirements and (ii) an optimisation of raw materials stock volumes.

Cost of services

Cost of services decreased by 4.3% or €15 million, to €325 million for the year ended 31 December 2020 as compared to €340 million in the prior year. The decrease in cost of services was mainly the result of the steps taken by management to contain and optimise costs in response to the COVID-19 pandemic. In particular, the Group reported a decrease in advertising and promotion costs of 19%, a decrease in other services costs of 7.9%, and a decrease in rental and lease expenses of 19.7%. Only logistics and transport costs increased, largely because of the greater non-recurring costs incurred during the year to ensure the continuity of the supply chain and distribution to customers during COVID-19-related lockdowns.

Personnel cost

Personnel cost decreased by 0.3% or €1 million, to €387 million for the year ended 31 December 2020 as compared to €388 million in the prior year.

	Year ended 31 December	
	2020	2019
	(in millions of euros)	
Wages and salaries	305	305
Social security costs	65	67
Provision for employees severance indemnity	6	7
Provision for retirement benefits and other funds	-	(2)
Other personnel costs	12	11
Total personnel cost	**387**	**388**

The reduction in personnel cost was mainly due to a Group's streamlining the workforce at some of its production sites as well as of corporate structures, and the effect of containment measures in response to the COVID-19 pandemic. The Group's workforce decreased by 104 employees from 7,519 as at 31 December 2019 to 7,415 as at 31 December 2020. The decrease in headcount was partially offset by the acquisition of Kesselheld GmbH in 2020, which added 61 employees to the Group's headcount.

Depreciation and amortisation

The following table sets forth a breakdown of depreciation and amortisation for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	(in millions of euros)	
Amortisation of intangible fixed assets	18	16
Depreciation of property, plant and equipment	36	35
Depreciation of right of use	24	23
Depreciation and amortisation	**78**	**74**

Amortisation of intangible fixed assets increased by 10.1% or €2 million, to €18 million for the year ended 31 December 2020 as compared to €16 million in the prior year. The increase was mainly related to investments in concessions, licenses and trademarks carried out in 2020.

Depreciation of property, plant and equipment increased by 1.8% or €1 million, to €36 million for the year ended 31 December 2020 as compared to €35 million in the prior year. The increase was mainly related to investments in other property, plant and equipment carried out in 2020.

Depreciation of right of use increased by 4.0% or €1 million, to €24 million for the year ended 31 December 2020 as compared to €23 million in the prior year. The increase was mainly related to the depreciation of property, plant and equipment acquired in previous years.

Provisions and write-downs

The following table sets forth a breakdown of provisions and write-down for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	(in millions of euros)	
Product warranty provision	6	8
Provision for installation	3	3
Bad debt provision	1	1
Provision for legal disputes	1	2
Provision for restructuring	1	-
Other provisions and write-downs	6	1
Total provisions and write-downs	**19**	**16**

Provisions and write-downs increased by 23.8% or €3 million, to €19 million for the year ended 31 December 2020 as compared to €16 million in the prior year. The increase was mainly driven by a decrease in product warranty provision due to a reclassification from general warranty to provisions for specific quality issues, that the Group reports as other provisions.

Other operating expenses

The following table sets forth a breakdown of other operating expenses for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	(in millions of euros)	
Non-income tax and taxes	6	6
Losses on receivables	1	1
Office supplies and printing	2	2
Concession rights and other	3	5
Subsidies and contributions	1	1
Other operating expenses	20	17
Total operating expenses	**33**	**31**

Other operating expenses increased by 5.3% or €2 million, to €33 million for the year ended 31 December 2020 as compared to €31 million in the prior year. The increase was mainly related to the combined effect of an increase in the sub-line item other operating expenses for €3 million which mainly comprises: (i) differences between accruals made in previous periods and costs actually incurred, (ii) decrease in concession rights for €2 million related to the year on year reduced price of F-GAS quotas for Italian companies; and (iii) higher losses on disposal of tangible assets for €1 million.

Financial income

The following table sets forth a breakdown of financial income for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	(in millions of euros)	
Interest income on bank current accounts	2	2
Interest income and discounts received on payments	-	-
Financial income on provisions for employee benefits	-	1
Other financial income	-	-
Total Financial income	**2**	**4**

Financial income decreased by 40.2% or €2 million, to €2 million for the year ended 31 December 2020 as compared to €4 million in the prior year. The decrease was largely attributable to the financial income on provisions for employee benefits for €1 million, (-65.2%) resulting from the change in the average actuarial rate as per IAS 19 of the Swiss associate. Interest income on bank current accounts of the Vietnamese and South African associates also declined as a result of the decline in interest rates and available cash. Other financial income decreased by €1 million compared to the prior year, largely because of the adjustment for hyperinflation of the Argentine associate.

Financial expense

The following table sets forth a breakdown of financial expenses for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	(in millions of euros)	
Interest expense on MLT bank loans	8	5
Interest expense on ST bank loans	1	1
Interest expense on other MLT loans	2	2
Financial expense on provisions for employee benefits	1	2
Other financial expense	4	7
Total Financial expense	**15**	**17**

Financial expense decreased by 15.3% or €2 million, to €15 million for the year ended 31 December 2020 as compared to €17 million in the prior year. The decrease was mainly related to the combined effect of (i) the decline by €3 million in other financial expense largely attributable to the reduction in interest on discounting from the fair value measurement of the obligations associated with the acquisitions made in previous periods, under which put and call options are to be exercised in the future to obtain total control, (ii) the decrease by €1 million in financial expense on provisions for employee benefits as a result of the change in the average actuarial rate as per IAS 19 of the Swiss associate and (iii) the increase in interest expense on MLT bank loans that rose by €3 million compared to prior year, due to the drawing – as a temporary precautionary measure taken as a result of the COVID-19 pandemic – of revolving credit facilities.

For the year ended 31 December 2020, the item "Other financial expense" mainly included: €2 million of changes in the fair-value of contingent liabilities (e.g. put/call options over NCI) and €1 million of commitment fees.

Exchange rate gains/losses

The following table sets forth a breakdown of exchange rate gains/losses for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	(in millions of euros)	
Exchange rate gains	25	16
Exchange rate losses	(25)	(23)
Unrealised exchange rate gains	12	11
Unrealised exchange rate losses	(15)	(4)
Total exchange rate gains/losses	**(3)**	**-**

For the year ended 31 December 2020, the Group recorded an exchange loss of €3 million as compared to zero in the prior year. Exchange rate gains and losses include the monetary changes on the accounting entries that were realised at the end of the reporting period. Unrealised exchange rate gains and 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 depreciation in the Mexican peso and, to a lesser extent, the Indonesian rupee.

Profit (loss) on investments

Profit (loss) on investments decreased by 126.4% or €6 million, to €-1 million for the year ended 31 December 2020 as compared to €5 million in the prior year. The decrease is mainly due to the annual revision of the value of obligations relating to put and call options connected to acquisitions.

Income taxes

The following table sets forth a breakdown of income taxes for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	(in millions of euros)	
Profit before tax	132	126
Current taxes	39	40
Deferred taxes	(4)	(4)
Total taxes	**35**	**37**
Average rate	*26.7%*	*29.2%*

Income taxes expenses decreased by 4.2% or €2 million, to €35 million for the year ended 31 December 2020 as compared to €37 million in the prior year. The decrease in amount and in average rate of taxes was mainly connected to a charge of €3 million recorded in the year ended 31 December 2019 for the settlement of an ongoing tax audit, and the different geographic distribution of pre-tax results.

COMPARISON OF THE YEARS ENDED 31 DECEMBER 2019 AND 2018

	Year ended 31 December		Change	
	2019	2018	Variation	%
	(in millions of euros)			
Revenue	1,710	1,612	98	6,1%
Other revenues and income	22	36	(14)	(39.5)%
Total revenue and other income	**1,732**	**1,648**	**84**	**5.1%**
Purchase of raw materials, consumables and goods for resale, net	749	700	49	6.9%
Cost of services	340	332	8	2.2%
Personnel cost	388	371	17	4.5%
Depreciation and amortisation	74	68	6	9.6%
Provisions and write-downs	16	23	(7)	(33.1)%
Other operating expenses	31	27	4	17.4%
Total operating expenses	**1,598**	**1,522**	**76**	**5.0%**
Operating Profit	**134**	**127**	**7**	**6.1%**
Financial Income	4	3	1	38.5%
Financial Expense	(17)	(18)	1	(5.2)%
Exchange rate gains/losses	-	(5)	5	(97.0)%
Net financial expense	**(14)**	**(21)**	**7**	**(33.9)%**
Other profit (loss) on investments	5	5	-	11.0%
Profit before taxes	**126**	**111**	**15**	**13.8%**
Income taxes	37	29	8	26.8%
Net profit for the period	**89**	**82**	**7**	**9.1%**

Revenue and other income

The following table sets forth revenue and other income for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	(in millions of euros)	
Revenue	1,710	1,612
Other operating income	22	36
Total revenue and other income	**1,732**	**1,648**

Revenue

Revenue by division

The following table sets forth revenue broken down by division for the years ended 31 December 2019 and 2018:

	Year ended 31 December			
	2019	%	2018	%
	(Unaudited)			
	(*in millions of euros unless otherwise indicated*)			
Thermal comfort	1,539	91%	1,440	89%
Components	77	4%	73	5%
Burners	94	5%	99	6%
Total	**1,710**		**1,612**	

Thermal Comfort. Thermal Comfort recorded revenue of €1,539 million for the year ended 31 December 2019, or 91% of total revenue, compared to €1,440 million, or 89%, in the year ended 31 December 2018, representing an increase of €99 million or 6.9%. The increase in revenue was mainly due to the acquisition of Calorex in Americas and to the increase in the domestic water heating business driven by the growth in the Middle East, Africa and Eastern Europe, especially with respect to electric storage systems. The increase in revenue was also partially due to the increased demand for instantaneous solutions in Russia, and the advancement of heat pump technology in Western Europe, which offset the slowdown of, instantaneous gas products attributable to regulatory changes in China and Spain.

Components. Components recorded revenue of €77 million for the year ended 31 December 2019, or 4% of total revenue, compared to €73 million, or 6%, in the year ended 31 December 2020 representing a decrease of €4 million or 5.1%, mainly

related to the decline in demand in the market for domestic appliances, for which the Group makes component parts, and for professional products.

Burners. Burners recorded revenue of €94 million for the year ended 31 December 2019, or 5% of total revenue, compared to €99 million, or 6%, in the year ended 31 December 2018 representing a decrease of €5 million or 5.1%. This decrease was driven by the reduction in 2019 of the Chinese government's coal-to-gas subsidies as well as new energy regulations.

Revenue by geographic area

The following table sets forth revenue broken down by geographical area for the years ended 31 December 2019 and 2018:

	Year ended 31 December			
	2019	**%**	**2018**	**%**
	(Unaudited) *(in millions of euros unless otherwise indicated)*			
Europe	1,137	67%	1,114	69%
Of which Italy		*11%*		*11%*
Asia & MEA	360	21%	369	23%
Americas	212	12%	129	8%
Total	**1,710**		**1,612**	

Europe. Europe represented the Group's largest market, recording revenue of €1,137 million for the year ended 31 December 2019, or 67% of total revenue, compared to €1,114 million, or 69%, in the year ended 31 December 2018, representing an increase of €23 million or 2.1%, driven by demand for electric storage systems in Eastern Europe and heat pump technology in Western Europe.

Asia & MEA. Asia and MEA represented the Group's second largest market, recording revenue of €360 million for the year ended 31 December 2019, or 21% of total revenue, compared to €369 million, or 23%, in the year ended 31 December 2018, representing a decrease of €9 million or 2.4%. The decrease in revenue was due primarily to the reduction in 2019 of demand from China following the reduction in the Chinese government's coal-to-gas subsidies, while the domestic water heating business in Saudi, Indonesia and India increased.

Americas. Americas represented the Group's third largest market, recording revenue of €212 million for the year ended 31 December 2019, or 12% of total revenue, compared to €129 million, or 8%, in the year ended 31 December 2018 representing an increase of €83 million or 64.3%, mainly due to the Calorex acquisition in May 2019 and the growth in sales of gas boiler products in Canada and the US.

Other operating income

Other operating income decreased by 39.5% or €14 million, to €22 million for the year ended 31 December 2019 as compared to €36 million in the prior year. The decrease was mainly driven by (i) €4 million of lower gain on disposal of tangible fixed assets, and (ii) €2 million of lower income for differences between accruals made in previous periods and costs actually incurred. In addition, in the year 2018 the item included €7 million for the reversal of unused provision, which, from 2019, is presented in the line item "provisions and write-downs".

Purchase of raw materials, consumables and goods for resale, net

The following table sets forth a breakdown of purchase of raw materials, consumables and goods for resale, net for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	**2018**
	(in millions of euros)	
Raw materials, consumables and goods for resale	758	725
Changes in inventories	(9)	(25)
Total purchase of raw materials, consumables and goods for resale, net	**749**	**700**

Purchase of raw materials, consumables and goods for resale, net increased by 6.9% or €49 million, to €749 million for the year ended 31 December 2019 as compared to €700 million for the year ended 31 December 2018, principally driven by the increase in production volumes.

Purchase of raw materials and consumables and goods for resale, net amounted to 43.8% of revenue in 2019, broadly consistent with 2018 (43.4%).

Cost of services

Cost of services increased by 2.2% or €8 million, to €340 million for the year ended 31 December 2019 as compared to €332 million in the prior year. The overall increase is due to the increase in logistics and transportation expenses incurred as a result of the Calorex group acquisition in 2019. Excluding this effect, cost of services amounted to €331 million, a decrease of 0.5% or €1 million from €332 million in the prior year. The decline in costs of services largely concerned other services, which

declined by €8 million or 10.9%, due to a decrease in sales costs associated with reduced demand in China following a reduction in the Chinese government's coal-to-gas subsidies. Sub-contracted work declined by €5 million or 8.2%, because of the lower production volumes recorded during the period. Advertising and promotion decreased by €2 million or 5.5%, as in 2018 this line item was affected by the "Ariston Comfort Challenge" marketing campaign rolled out globally in all of the Group's markets.

Personnel costs

The following table sets forth a breakdown of personnel cost for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	(in millions of euros)	
Wages and salaries	305	291
Social security costs	67	65
Provision for Employees severance indemnity	7	5
Provision for retirement benefits and other funds	(2)	-
Other personnel costs	11	10
Total personnel cost	**388**	**371**

Personnel cost increased by 4.5% or €17 million, to €388 million for the year ended 31 December 2019 as compared to €371 million in the prior year. The increase in personnel cost is due to an increase in the Group's workforce by approximately 663 employees from 6,856 As at 31 December 2018 to 7,519 As at 31 December 2019 following the acquisition of the Calorex group

Depreciation and amortisation

The following table sets forth a breakdown of depreciation and amortisation for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	(in millions of euros)	
Amortisation of intangible fixed assets	16	14
Depreciation of property, plant and equipment	35	33
Depreciation of right of use	23	21
Depreciation and amortisation	**74**	**68**

Amortisation of intangible assets increased by 15.5% or €2 million, to €16 million for the year ended 31 December 2019 as compared to €14 million in the prior year. This increase was mainly due to the higher investments completed and an increase in intangible assets following the acquisition of Calorex.

Depreciation of property, plant and equipment increased by 8.9% or €2 million, to €35 million for the year ended 31 December 2019 as compared to €33 million in the prior year. This increase was mainly due to an increase in property, plant and equipment following the acquisition of Calorex.

Depreciation of right of use increased by 6.9% or €2 million, to €21 million for the year ended 31 December 2018 as compared to €23 million for the year ended 31 December 2019. This increase was mainly due to the higher investments completed.

Provisions and write-downs

The following table sets forth a breakdown of provisions and write-downs for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	(in millions of euros)	
Product warranty provision	8	11
Provision for installation	3	4
Provision for legal disputes	2	1
Bad debt provision	1	3
Provision for restructuring	-	1
Other provisions and write-downs	1	4
Total Provisions and write-downs	**16**	**23**

Provisions and write-downs decreased by 33.1% or €7 million, to €16 million for the year ended 31 December 2019 as compared to €23 million in the prior year. The decrease was mainly driven by the inclusion since 2019 in this caption of the reversal of unused provisions, previously reported in the item "Other operating income". The other changes occurring between the periods related to a decrease in other provisions and write-downs on Indian assets for €1 million.

Other operating expenses

The following table sets forth a breakdown of other operating expenses for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	(in millions of euros)	
Non-income tax and taxes	6	6
Losses on receivables	1	2
Office supplies and printing	2	2
Concession rights and other	5	3
Subsidies and contributions	1	1
Other operating expenses	17	14
Total operating expenses	**31**	**27**

Operating expenses increased by 17.4% or €4 million, to €31 million for the year ended 31 December 2019 as compared to €27 million in the prior year. The increase is mainly due higher differences between accruals made in previous periods and costs actually incurred.

Financial income

The following table sets forth a breakdown of financial income for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	(in millions of euros)	
Interest income on bank current accounts	2	1
Interest income and discounts received on payments	-	-
Financial income on provisions for employee benefits	1	1
Other financial income	-	1
Total financial income	**4**	**3**

Financial income increased by 38.5% or €1 million, to €4 million for the year ended 31 December 2019 as compared to €3 million in the prior year. The increase was mainly attributable to increase of interest income on bank current accounts for €1 million, mainly with as a result of accounts acquired as part of the Calorex acquisition as well as interest income reported by the Vietnamese associate as a result of rising cash on hand.

Financial expense

The following table sets forth a breakdown of financial expenses for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	(in millions of euros)	
Interest expense on MLT bank loans	5	4
Interest expense on ST bank loans	1	1
Interest expense on other MLT loans	2	2
Financial expense on provisions for employee benefits	2	2
Other financial expense	7	10
Total financial expense	**17**	**18**

Financial expense decreased by 5.2% or €1 million, to €17 million for the year ended 31 December 2019 as compared to €18 million in the prior year. The reduction is mainly due to the other financial expense for the decrease of actualisation interests deriving from reduction of contingent liabilities (put/call options over non-controlling interests) related to acquisitions occurred in previous periods.

Exchange rate gains/losses

The following table sets forth a breakdown of exchange rate gains/losses for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	(in millions of euros)	
Exchange rate gains	16	13
Exchange rate losses	(23)	(22)
Unrealised exchange rate gains	11	5
Unrealised exchange rate losses	(4)	(1)
Total exchange rate gains/losses	**-**	**(5)**

Exchange rate losses decreased by €5 million, to zero for the year ended 31 December 2019 as compared to €5 million in the prior year. In 2018 the result relating to realised and unrealised exchange rate gains and losses was negatively affected mainly by the depreciation of the Turkish lira and the Argentinian peso.

Profit (loss) on investments

Profit (loss) on investments increased by 11% or €1 million, to €5 million for the year ended 31 December 2019 as compared to €4 million in the prior year. The increase is mainly due to the annual revision of the value of obligations relating to put and call options connected to acquisitions.

Income taxes

The following table sets forth a breakdown of income taxes for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	**2018**
	(in millions of euros)	
Profit before tax	126	111
Current taxes	40	29
Deferred taxes	(4)	-
Total taxes	**37**	**29**
Average rate	*29.2%*	*26.2%*

Income taxes expenses increased by 26.8% or €8 million, to €37 million for the year ended 31 December 2019 as compared to €29 million in the prior year. The increase in amount and average rate of taxes was mainly connected to a charge of €3 million recorded in the year ended 31 December 2019 for the settlement of an ongoing tax audit, and the different geographic distribution of pre-tax results.

LIQUIDITY AND CAPITAL RESOURCES

Overview

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 composition of resources in terms of maturities, financial instruments and available amounts.

As at 30 September 2021, the Group's overall available liquidity, defined as the sum of cash and cash equivalents and the unused portion of committed lines of credit (approximately €530 million), amounted to approximately €922 million.

As at 30 September 2021, the Group's overall bank credit lines, including the used and unused credit lines (both committed and uncommitted) totalled approximately €1.2 billion, of which approximately 40% was drawn.

Reclassified statements of the financial position

The following table contains a summary reclassified statements of the financial position of the Group as at 30 September 2021, 31 December 2020, 2019 and 2018.

	As at 30 September	**As at 31 December**		
	2021	**2020**	**2019**	**2018**
		Unaudited *(in millions of euros)*		
Trade receivables	228	228	238	206
Inventories	385	265	276	269
Trade payables	(431)	(364)	(331)	(297)
Net Working Capital	**182**	**129**	**182**	**177**
Fixed assets	739	733	781	675
Other assets and liabilities	(251)	(272)	(274)	(290)
Net Capital Employed	**670**	**590**	**689**	**562**
Net Financial Position	139	144	167	98
Total shareholders' equity	531	447	522	464
Total Financing Sources	**670**	**590**	**689**	**562**

Comparison of 30 September 2021 and 31 December 2020

At 30 September 2021, the Group reported €670 million in Net Capital Employed, up from €590 million in comparison to December 2020 largely because of the increase in net working capital, the translation of assets in local currency following the generalised appreciation in the euro against the Group's main reporting currencies and the increase of other assets and liabilities due to mainly the deferred asset linked to the step-up of tangible and intangible assets carried out in Italy for local GAAP and tax wise IAS/IFRS purposes, pursuant to art. 110 of Law Decree n. 104/2020, converted in the Law n. 126/2020.

At 30 September 2021, Net Working Capital totalled €182 million, compared to €129 million at the end of December 2020. The increase in working capital was due to seasonal fluctuations. Trade receivables totalled €228 million as at September 2021, compared to €228 million as at December 2020, with 41 and 42 days sales outstanding, respectively. Inventories amounted to €385 million as at September 2021, compared to €265 million as at December 2020. Trade payables increased from €364 million in 2020 to €431million in 2021. Days purchase outstanding rose from 95 to 96 days year-on-year as a result of the careful management of procurement contracts and related terms and conditions.

At 30 September 2021, Net Fixed Assets were €739 million, up from €733 million in the prior year, largely because of the restart of the investment plan in 2021, compared with lower investment levels in 2020.

Other assets and liabilities were negative €251 million, up from €272 million compared to the previous year.

Set forth below is a further breakdown of certain line items in the Group's statements of the financial position as at 30 September 2021:

- the item "Other current liabilities – Other current payables" amounted to €115 million and mainly included: (i) €49 million for deferred income and accrued expenses; (ii) €22 million for short-term portion of LTI Plan liabilities; (iii) €29 million for put and call over non-controlling interests and (iv) €6 million for Ecobonus payable;
- the item "Deferred tax assets – Other" amounted to €22 million and mainly included:(i) €8 million for timing differences on costs deduction for tax purposes (ii) €11 million for timing GAAP differences; and (iii) €3 million for provision for bad debts;
- the item "Deferred tax liabilities – Other" amounted to €26 million and mainly included (i) 4 million for timing differences on costs deduction for tax purposes; (ii) €10 million for timing GAAP differences; (iii) €2 million for asset/intangible amortization not charged to P&L; (iv) €2 million for not current financial liabilities; and (v) €1 million for exchange gains or losses
- the item "Tax receivables – Other ST tax receivables" amounted to €11 million and mainly included €8 million for tax advances paid and €1 million for R&D tax credit;
- the item "Other current assets – Other receivables" amounted to €19 million and mainly included: (i) €7 million for Ecobonus receivables; and (ii) €11 million for deferred expenses and accrued income.

At 30 September 2021, the Net Financial Position was negative €139 million, an improvement compared to negative €144 million at 31 December 2020. The increase in cash flows used by the Group was exclusively attributable to the strong growth in revenue and EBITDA in the reporting period, compared to the previous period characterised by strong COVID-19 negative effect. The cash absorption was mainly driven by net working capital and a higher level of investments

At 30 September 2021, consolidated Equity was €531 million, compared to €447 million at 31 December 2020. The €84 million increase was due to the positive contribution from the net profit for the period, totalling €113 million, less the €48 million dividend pay-out, €17 million in exchange rate effect stemming from the equity translation of the non-euro denominated legal entities in the Group's consolidation perimeter, €2 million recognised under IAS 21 - Effects of Changes in Foreign Exchange Rates and a €3 million reserve of remeasurement under IAS19, as well as a cash flow hedge effect under IFRS9 negative of €1 million.

Comparison of 31 December 2020 and 2019

At 31 December 2020, the Group reported €590 million in Net Capital Employed, down from €689 million at 31 December 2019, largely because of the decrease in net working capital and the translation of assets in local currency following the generalised and strong appreciation of the euro against the Group's main reporting currencies.

At 31 December 2020, Net Working Capital totalled €129 million, compared to €182 million at 31 December 2019. The decline in working capital was the result of a very strong focus on the policies for managing collections and payments as well as liquidity more generally, but was due also to the unusual seasonality of purchases, which were more concentrated in the second half of the year, and a negative exchange rate effect for the period. Trade receivables totalled €228 million as at 31 December 2020, compared to €238 million as at 31 December 2019, with 42 and 47 days sales outstanding, respectively. Inventories amounted to €265 million as at 31 December 2020, compared to €276 million as at 31 December 2019. Trade payables increased from €331 million in 2019 to €364 million in 2020. Days purchase outstanding rose from 93 to 95 days year-on-year as a result of the careful management of procurement contracts and the related terms and conditions.

At 31 December 2020, Net Fixed Assets came in at €733 million, down from €781 million in the prior year largely because of a negative foreign currency translation effect.

Other assets and liabilities recorded a negative balance of €272 million, down €2 million compared with the previous year.

Set forth below is a further breakdown of certain line items in the Group's statements of the financial position as at 31 December 2020:

- the item "Other current liabilities – Other current payables" amounts to €70 million and mainly includes: (i) €45 million for deferred income and accrued expenses; (ii) €12 million for short-term portion of LTI Plan liabilities; and (iii) €7 million for Ecobonus payable;
- the item "Deferred tax assets – Other" amounts to €22 million and mainly includes:(i) €7 million for timing differences on costs deduction for tax purposes;(ii) €6 million for timing GAAP differences; and (iii) €5 million for derivatives and provisions for various specific risks;
- the item "Deferred tax liabilities – Other" amounts to €14 million and manly includes €5 million for timing GAAP differences;

- the item "Tax receivables – Other ST tax receivables" amounts to €8 million and mainly includes €7million for tax advances paid; and
- the item "Other current assets – Other receivables" amounts to €20 million and mainly includes: (i) €10 million for Ecobonus receivables; and (ii) €8 million for deferred expenses and accrued income.

At 31 December 2020, the Net Financial Position was negative €144 million, an improvement compared to negative €167 million in December 2019 despite the special dividend pay-out to shareholders. The increase in cash flows used by the Group was exclusively attributable to the outflows associated with the extraordinary dividend, whereas cash flows from operating activities were up sharply year-on-year. The Group reported an increase of €186 million in free cash flow at 31 December 2020, compared to the increase of €111 million at the end of 2019. The increase was driven both by the greater contribution from the EBITDA for the period (increased of €18 million) and the significant contraction in working capital, which generated approximately €36 million in free cash flow.

At 31 December 2020, consolidated Equity was €447 million compared to €522 million at the start of the period. The overall €76 million decline was all but due to the positive contribution from the net profit for the period, totalling €97 million, less the €129 million dividend pay-out and the €40 million exchange rate effect for the translation of the equity of the scope of consolidation under IAS 21 - Effects of Changes in Foreign Exchange Rates.

Comparison of 31 December 2019 and 2018

At 31 December 2019, the Group reported €689 million in Net Capital Employed, rising steadily from €562 million in December 2018. This was largely attributable to the consolidation of the Calorex group, acquired on 30 April 2019, which caused an increase in both working capital and fixed assets.

As at 31 December 2019, Net working capital totalled €182 million, compared to €177 million at the end of December 2018. Trade receivables totalled €238 million as at December 2019: excluding the contribution from Calorex, they were in line with the previous year. Days sales outstanding was 44 days, excluding Calorex. Inventories totalled €276 million as at December 2019 (€256 million excluding the contribution from Calorex) compared to €269 million as at December 2018.

At 31 December 2019, Net Fixed Assets totalled €781 million, up from the prior year as the consolidation of the Calorex group resulted in the recognition of the assets and goodwill of the entities comprising it, amounting to nearly €100 million overall.

Other assets and liabilities totalled €274 million as at December 2019 and were down largely because of the use of liabilities and provisions previously set aside for the payment of obligations associated with the put and call options of the acquired entities.

At 31 December 2019, the Net Financial Position was negative €167 million, compared to a negative €99 million in December 2018. The increase in cash flows used by the Group was exclusively attributable to the outflows associated with the one-off acquisition of the Calorex group, whereas cash flows from operating activities were up sharply year-on-year. The Group reported +€111 million in free cash flow at 31 December 2019, compared to +€23 million at the end of 2018. The increase was driven by the greater contribution from the EBITDA for the period (+€14 million) and, most importantly, the significant contraction in working capital, which generated approximately €32 million in free cash flow.

At 31 December 2019, consolidated Equity was €522 million compared to €464 million at the start of the period. The overall €58 million increase was the result of the positive contribution from the net profit for the period, equal to €89 million, less approximately €31 million as a result of the dividend pay-out.

Cash flows

The following table presents a summary of cash flows from operating, investing and financing activities for the nine months ended 30 September 2021 and 2020 and the years ended 31 December 2020, 2019 and 2018:

	Nine months ended 30 September		**Year ended 31 December**		
	2021 (Unaudited)	**2020 (Unaudited)**	**2020**	**2019**	**2018**
	(*in millions of euros*)				
A. Net cash flow from operating activities	102	92	251	194	124
B. Net cash flow from investing activities	(42)	(41)	(84)	(222)	(99)
C. Net cash flow from financing activities	(136)	262	(17)	27	(44)
D. Total cash flow (A+B+C)	**(76)**	**313**	**150**	**(1)**	**(18)**
E. Cash and cash equivalents at the beginning of the period	431	296	296	291	310
F. Effect of changes in exchange rates	11	(14)	(15)	4	(1)
G. Cash and cash equivalents at the end of the period	365	595	431	296	291
H. Changes Cash and cash equivalents (G-F-E)	**(76)**	**313**	**150**	**(1)**	**(18)**

The main events that have influenced the cash flows in the financial years under review are briefly described below.

Cash flows from (used in) operating activities

	Nine months ended 30 September		Year ended 31 December		
	2021 (Unaudited)	**2020 (Unaudited)**	**2020**	**2019**	**2018**
	(*in millions of euros*)				
Net profit/(loss) for the period	113	46	97	89	82
Adjustments to reconcile profit to net cash flow					
Taxes	2	18	35	37	29
Income and expense from financing and investment activities	8	11	17	9	16
Operating profit	**123**	**75**	**149**	**134**	**127**
Depreciation and amortisation	56	58	78	74	68
Provisions	12	12	19	21	23
Other adjustments	(1)	0	(0)	-	1
Gross operating cash flow	**190**	**146**	**246**	**230**	**219**
Changes in working capital					
Change in trade receivables	1	18	(1)	(12)	3
Change in inventories	(113)	(34)	(3)	27	(22)
Change in trade payables	61	(33)	40	17	(18)
Change in other short-term assets/liabilities	(2)	18	6	(2)	(9)
Change in provisions	(8)	(6)	(4)	(20)	(23)
Tax paid	(27)	(16)	(33)	(46)	(26)
Net cash flow from operating activities	**102**	**92**	**251**	**194**	**124**

Cash flows from operating activities resulted in an inflow of €102 million in 2021, compared to an inflow of €92 million in the nine months ended 30 September 2020. This increase of €10 million, or 10.4%, was primarily due to cash flow generated from gross operating profit for the period and change in working capital mainly related to an increase of trade payables that was partially offset by an increase in inventories.

Cash flows from operating activities resulted in an inflow of €251 million in 2020, compared to an inflow of €194 million in 2019. This increase of €57 million or 29.7% was primarily due to cash flow generated from gross operating profit for the period and change in working capital mainly related to an increase of trade payables that was partially offset by an increase in inventories and trade receivables.

Cash flows from operating activities resulted in an inflow of €194 million in 2019, compared to an inflow of €124 million in 2018. This increase of €70 million or 55.7% was primarily due to cash flow generated from gross operating profit for the period that was partially offset by an outflow generated by changes in working capital, due to a decrease in inventories and an increase in trade payables.

Cash flows from investing activities

	Nine months ended 30 September		Year ended 31 December		
	2021 (Unaudited)	**2020 (Unaudited)**	**2020**	**2019**	**2018**
	(*in millions of euros*)				
Investments in intangible assets	(9)	(8)	(14)	(16)	(16)
Investments in property, plant and equipment	(29)	(10)	(47)	(68)	(68)
Investments in financial assets	(5)	(26)	(27)	(144)	(16)
Change in the scope of consolidation	0	0	0	4	0
Value of tangible and intangible assets sold	1	3	3	2	2
Net cash flow from investing activities	**(42)**	**(41)**	**(84)**	**(222)**	**(99)**

Cash flows from investing activities resulted in an outflow of €42 million in the nine months ended 30 September 2021, compared to an outflow of €41 million in the nine months ended 30 September 2020. This increased outflow of €1 million, or 3.3%, reflected the combined effect of (i) the 2021 increase in investments in property, plant and equipment, mainly in land and buildings of €10 million following the purchase of Borgo Tufico warehouse by Ariston Thermo S.p.A and in Asset in progress for €10 million, and (ii) the 2020 outflow of investments in financial assets, in particular related to the payment in 2020 put and calls obligation for HTP and NTI compared to no payment in 2021.

Cash flows from investing activities resulted in an outflow of €84 million in 2020, compared to an outflow of €222 million in 2019. This reduced outflow of €138 million or 62.0% reflected the outflow of investments in financial assets, in particular for the payment of tranches of put and call options.

Cash flows from investing activities resulted in an outflow of €222 million in 2019, compared to an outflow of €99 million in 2018. This increased outflow of €123 million or 125.6% mostly reflected the acquisition of Calorex as well as additional payments arising from the put and call options of previously acquired entities.

Cash flows from financing activities

	Nine months ended 30 September		Year ended 31 December		
	2021 (Unaudited)	2020 (Unaudited)	2020	2019	2018
	(*in millions of euros*)				
Financial income/expense collected/paid	(2)	(5)	(7)	(5)	(5)
Income/expense on exchange rate	(4)	(2)	(0)	(7)	(9)
Increase/decrease in short-term financial payables	40	149	(5)	(2)	2
New loans	203	170	187	236	26
Loans repayment	(325)	(18)	(63)	(163)	(29)
Dividends	(48)	(28)	(129)	(31)	(28)
Other		(4)			
Net cash flow from financing activities	**(136)**	**262**	**(17)**	**27**	**(44)**

Cash flows from financing activities resulted in an outflow of €136 million in the nine months ended 30 September 2021, compared to an inflow of €262 million in the nine months ended 30 September 2020. The difference was mainly due to the net effects of (i) an increase in loan repayments of €307 million as compared to the nine months ended 30 September 2020, (ii) a decrease by €109 million in short-term financial payables due to the reduction of new short term debt in 2021, (iii) an increase by €20 million related to dividends and (iv) increase in cash from new loans of €33 million.

Cash flows from financing activities resulted in an outflow of €17 million in 2020, compared to an inflow of €27 million in 2019. The variance of €44 million or 160.8% was mainly due to (i) an extraordinary dividend pay-out of €129 million and (ii) a loan repayment of €63 million which was offset by cash injection from new loan subscription for €187 million. This compares to dividend pay-out of €31 million in 2019, and loan repayment of €163 million which was offset by cash injection from new loan subscription for €236 million.

Cash flows from financing activities resulted in an inflow of €27 million in 2019, compared to an outflow of €44 million in 2018. The increase of €71 million or 162.6% was mainly due to new loans stipulated during the year.

Capital resources

The financial condition and liquidity of the Group are and will continue to be influenced by a variety of factors, including:

- its ability to generate cash flows from its operations;
- its capital expenditure requirements mainly for renovation, refurbishment and more substantial redevelopment projects;
- the level of its outstanding indebtedness, and the interest the Group is obligated to pay on such indebtedness, which affects its financing costs; and
- its ability to continue to borrow funds from banks and international debt capital markets.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table set forth the Group's contractual obligations as at 30 September 2021, based upon the periods in which payments are due:

	As at 30 September 2021	< 1 year	2 – 5 years	> 5 years	Tota l
		(Unaudited) *(in millions of euro)*			
Due to banks and notes payables[1]	484	78	207	200	484
Lease liabilities	51	15	28	8	51
Liabilities associated with put and call over non-controlling interests	32	29	3	-	32
Total financial liabilities	567	122	237	208	567
Other	7				
Less:					
- *Liabilities associated with put and call over non-controlling interests*[2]	(32)				
- *Current financial liabilities*[3]	(82)				
- *Current loans*[3]	(20)				
Total Non-current loans[3]	440				

(1) This item includes contractual outstanding balances of current and non-current bank facilities and notes payables of its Chinese subsidiaries.
(2) This item is included in "Other current liabilities" and "Other non-current liabilities" of the Group's statement of financial position
(3) These items are included as financial liabilities in the Group's statement of financial position.

Due to banks and notes payables

The following table sets forth the Group's financial liabilities as at 30 September 2021 by bank counterparts' ratings and countries:

			As at 30 September 2021		
Counterpart Rating Cluster	**Counterpart Country (headquarter)**	**Currency**	**Current**	**Non-current**	**Total**
				(Unaudited) *(in millions of euro)*	
From AAA to A-	France	EUR	4	154	158
From AAA to A-	France	USD	6	-	6
From AAA to A-	France	GBP	6	-	6
From AAA to A-	US	EUR	1	-	1
From AAA to A-	China	CNY	11	-	11
From BBB+ to BBB	Italy	EUR	46	215	261
From BBB+ to BBB	Germany	EUR	-	25	25
From BBB- to BB	Italy	EUR	-	10	10
From BBB- to BB	Italy	USD	5	-	5
Other		EUR	-	3	3
Due to banks and notes payables			***78***	***407***	***484***

Lease liabilities

Group leasing obligations relating to financial leasing contracts (not subject to the first application of the IFRS16 accounting standard) were €56 million as at 31 December 2020, €67 million as at 31 December 2019 and €64 million as at 31 December 2018.

The following is a breakdown of its financial leasing obligations, broken down by current and non-current portion, as at 31 December 2020, 2019 and 2018:

	As at 30 September	As at 31 December		
	2021 (Unaudited)	**2020**	**2019**	**2018**
		(in millions of euro)		
Current portion	15	19	21	19
Non-current portion	36	37	46	45
Finance from leasing companies	**51**	**56**	**67**	**64**

Financial lease obligations as at 30 September 2021 were €51 million and the underlying right of use mainly related to land and buildings (€35 million) and vehicles (€12 million).

Financial lease obligations as at 31 December 2020 were €56 million and the underlying right of use mainly related to land and buildings (€35 million) and vehicles (€16 million).

Financial lease obligations as at 31 December 2019 were €67 million and the underlying right of use mainly related to land and buildings (€41 million) and vehicles (€22 million).

Financial lease obligations as at 31 December 2018 were €64 million and the underlying right of use mainly related to land and buildings (€44 million) and vehicles (€18 million).

Liabilities associated to put and call over non-controlling interests

Liabilities associated with put and call over non-controlling interests mainly refer the put and call option over non-controlling interests of Ariston Thermo USA LLC (formerly HTP Comfort Solutions LLC). As at 30 September 2021 the liability associated with this put option amounted to €24 million.

Limited liability company agreement of Ariston Thermo USA entered into on 31 July 2017

On 31 July 2017, Ariston Thermo Holding USA, LLC (at the time Ariston Thermo USA, LLC) (**Ariston Thermo Holding USA**), as majority member, and the minority members (the **Minority Members**) of Ariston Thermo USA, LLC (at the time HTP Comfort Solutions, LLC) (**Ariston Thermo USA**), entered into a limited liability company agreement (the **LLC Agreement**) of Ariston Thermo USA.

In addition to provisions concerning certain matters, the LLC Agreement also sets forth put and call options of, respectively, the Minority Members and Ariston Thermo Holding USA, concerning the ownership interests held by the Minority Members in Ariston Thermo USA. According to the LLC Agreement, these put and call options may be exercised:

- at any time during the period commencing on 1 April 2020 and continuing through 31 July 2020 (the **First Exercise Period**), in relation to 50% of the issued and outstanding interests then held by the Minority Members, representing 24.5% of the total issued and outstanding interests in Ariston Thermo USA at the date of execution of the LLC Agreement;
- at any time during the period commencing on 1 April 2022 and continuing through 31 July 2022 (the **Second Exercise Period**), in relation to the remaining issued and outstanding interests then held by the Minority Members and for a consideration to be paid by Ariston Thermo Holding USA to the Minority Members and to be determined in accordance with the LLC Agreement.

In addition to the foregoing, the LLC Agreement confers:

- on the Minority Members and Ariston Thermo Holding USA further put and call options, which may be exercised by either of the said parties in case the employment relationship between one of the Minority Members identified in the LLC Agreement and Ariston Thermo USA is terminated by the latter due to his disability or death;
- on Ariston Thermo Holding USA a further call option to purchase any and all the ownership interests then held by the Minority Members upon the occurrence of certain circumstances better specified in the LLC Agreement including, in particular, the failure of Ariston Thermo USA to achieve certain minimum EBITDA thresholds. The LLC Agreement is governed by the laws of the State of Delaware, United States.

In 2020, Ariston Thermo Holding USA and the Minority Members entered into an agreement concerning the LLC Agreement, pursuant to which the parties consented and authorised the exercise of their respective put and call options with respect to the First Exercise Period, agreeing a purchase price of US$ 16,537,587.

DESCRIPTION OF INDEBTEDNESS

Set out below is a summary of the Group's existing significant debt arrangements. As at 30 September 2021, the Group's total debt (including financial leases and overdrafts) amounted to €481. The Group has in place a 2021 Facility Agreement (as defined below) with a total borrowing capacity of €300 million, a 2019 Facility Agreement (as defined below) with a total borrowing capacity of €200 million and a 2018 Facility Agreement (as defined below) with a total borrowing capacity of €250 million. As at 30 September 2021, €150 million, €100 million were outstanding under the 2021 Facility Agreement and the 2019 Facility Agreement, respectively. No debt is outstanding under the 2018 Facility Agreement.

The facility agreements entered into by the Group do not contain financial covenants (such as obligation upon the Company to comply with certain financial ratios). The material facility agreements described below contain change of control clauses and standard covenants restricting the Group's ability to carry out certain transactions and the granting of security over the Group's assets, unless so authorised by the relevant lenders. The Group is currently in compliance with all covenants and the Admission will not result in a change of control.

The main terms of the material facility agreement are described below.

2021 Facility Agreement

On 5 May 2021 the Company, as borrower, and Banca Nazionale del Lavoro S.p.A., as original lender and agent (**BNL**), and Intesa Sanpaolo S.p.A., Unicredit S.p.A., Crédit Agricole Italia S.p.A. and Crédit Agricole Corporate and Investment Bank S.A., as lenders (together with the BNL, **2021 Lenders**), entered into a facility agreement providing a cash financing of €300 million (**2021 Facility Agreement**) composed of (i) a €150 million medium long term loan facility (**2021 Term Loan**) and (ii) a €150 million revolving credit facility (**2021 RCF**).

ESG Agreement

The 2021 Facility Agreement confers on the Company the right to notify to the 2021 Lenders, no later than 31 December 2021, a request to enter into an ESG agreement (**ESG Agreement**). This consists of a supplementary act of the 2021 Facility Agreement integrating the latter with the details of the first and second indicators of sustainability of the Group proposed by the Company (respectively, **First KPI ESG** and **Second KPI ESG**). The signing of the ESG Agreement is at the sole discretion of the 2021 Lenders. As of the date of this Prospectus, the ESG Agreement has not been entered into.

Use

The 2021 Term Loan may be drawn solely by the Group and may be used for general financial needs, including the refinancing of the amounts outstanding under or in respect of the existing facilities agreements.

The Group is also the original borrower under the 2021 RCF, although some members of the Group (namely, Ariston Thermo Benelux S.A., Ariston Thermo France SAS, ELCO International GmbH, Ariston Thermo S.p.A., ATAG Heating B.V. and ELCOTHERM AG) may adhere to the 2021 Facility Agreement, subject to certain conditions, and draw the 2021 RCF directly (the **2021 Selected Subsidiaries**).

In case of adherence to the 2021 Facility Agreement by any of the 2021 Selected Subsidiaries, the Group will act as guarantor, undertaking, as an independent and primary obligation, to indemnify the 2021 Lenders on demand against any loss they incur as a result of a 2021 Selected Subsidiary failing to comply with its obligation under the 2021 Facility Agreement. This guarantee is limited to a maximum amount of €240 million.

Availability term and maturity

The 2021 Term Loan will mature on the sixth anniversary of the execution date of the 2021 Facility Agreement.

The 2021 RCF is made available to the Group and the 2021 Selected Subsidiaries, as the case may be, for a term running from the date of execution of the 2021 Facility Agreement until the first business day of the third month prior to the maturity date of the 2021 RCF as specified below. The 2021 RCF will mature on the seventh anniversary of the execution date of the 2021 Facility Agreement.

Payment of on-going fees and interests and repayments of the capital amount

Under the 2021 RCF, the Group has to pay a quarterly fee for non-use equal to 35 base points per year, equal to 0.35% of the available facility under the 2021 RCF, to be calculated each and every day throughout the term of availability.

The 2021 Term Loan will bear interests at a floating rate of (i) 6-months EURIBOR (with 0 floor), plus (ii) a margin equal to 1.10%, to be paid at the end of each 6-months interest period.

The amount released in euro under the 2021 RCF will bear interest at a floating rate of (i) 1-month, 3-months or 6- months EURIBOR (with 0 floor), depending on the duration of the relevant interest period as selected by the borrower in its request of release notified from time to time to the 2021 Lenders, plus (ii) a margin equal to 1.10%, to be paid at the end of each interest period (as selected by the borrower). The Group and/or any of the 2021 Selected Subsidiaries, as the case may be, has to repay each principal amount from time to time drawn under the 2021 RCF on the expiry of its relevant interest period. The repaid amounts may be used again by the same respective borrower.

The amount drawn in Swiss Francs under the 2021 RCF will bear interest at a floating rate of (i) 1-month, 3-months or 6-months LIBOR CHF (with 0 floor), depending on the duration of the relevant interest period as selected by the borrower in its request of release notified from time to time to the 2021 Lenders, plus (ii) a margin equal to 1.80%, to be paid at the end of each interest period (as selected by the borrower).

The 2021 Facility Agreement provides that, should LIBOR cease to exist, it will be replaced by the 3-month or 6-month average daily values of the Swiss Average Rate Overnight (SARON) managed by the Swiss Stock Exchange (depending on the duration of the relevant interest period), plus an adjustment spread, with 0 floor.

Currency

The amounts under the 2021 Facility Agreement are always indicated in euro, with the sole exception of the amounts possibly drawn by ELCOTHERM AG, which will be indicated in Swiss Francs.

Representations and covenants

The 2021 Facility Agreement contains a number of representations and covenants customary to this kind of agreements, including a prohibition of act of disposal clause and a negative pledge clause and, in particular:

- a prohibition of act of disposal clause according to which each borrower under the 2021 Facility Agreement, save in case of prior consent of the 2021 Lenders, has to refrain from carry out any act of disposal concerning all or part of the participation or properties held by the relevant borrower, save for certain acts of disposal expressly referred to as allowed in the 2021 Facility Agreement; and
- a negative pledge clause according to which each borrower under the 2021 Facility Agreement, save in case of prior consent of the 2021 Lenders, has to refrain from creating, or allowing the creation of, any lien on its goods, save for certain liens expressly referred to as allowed in the 2021 Facility Agreement.

In its role as guarantor, the Group assumed the covenants set forth in the 2021 Facility Agreement also with reference to those 2021 Selected Subsidiaries having adhered to the 2021 Facility Agreement.

Voluntary prepayments

Any of the borrowers under the 2021 Facility Agreement may withdraw, entirely or partially, from the 2021 Facility Agreement and, consequently, prepay the amount borrowed, which, in case of partial withdrawal, shall be at least equal to €10 million. No prepayment penalty is due.

Acceleration, termination and right of withdrawal

The 2021 Facility Agreement provides for certain standard events of acceleration, termination and right of withdrawal in favour of the 2021 Lenders, including: (i) a change of control clause, in case of any event entailing the acquisition, directly or indirectly, of the control of the Group (or any of the 2021 Selected Subsidiaries) by any person other than the members of the Merloni Family (as defined in the 2021 Facility Agreement); and (ii) a cross-default clause, which applies in case of acceleration or termination of any facility agreement (other than the 2021 Facility Agreement) entered into by any of Group company that is currently party to the 2021 Facility Agreement (or which potentially will be in accordance with the terms thereof), as borrower, and third parties not belonging to the Group, as lenders, or the withdrawal by any third party from such facility agreements, provided that, from time to time, the aggregate financial indebtedness of the borrower and of the Group, including in its quality

as guarantor, deriving from such facility agreements is equal to an aggregate amount greater than the higher of (a) €25 million and (b) 10% of the net equity of the Company on a nonconsolidated basis, as resulting from the financial statements delivered to BNL (in its capacity as agent).

Prepayments of any amounts drawn under the 2021 Facility Agreement are mandatorily due in any case of acceleration, withdrawal from, or termination of, the 2021 Facility Agreement. In such events, the 2021 Lenders have the right to receive also the accrued interest and default interest.

Governing law

The 2021 Facility Agreement is governed by Italian law.

2019 Facility Agreement

On 9 August 2019 Ariston Thermo S.p.A., as borrower, and BNL, as original lender and agent, and Intesa Sanpaolo S.p.A., Unione di Banche Italiane S.p.A., Banco BPM S.p.A., Unicredit S.p.A., Credito Valtellinese S.p.A. and Commerzbank Aktiengesellschaft Filiale di Milano, as lenders (**2019 Lenders**), entered into a facility agreement providing a cash financing (**2019 Facility Agreement**) of €200 million composed of (i) a €100 million medium long term loan facility (**2019 Term Loan**) and (ii) a €100 million revolving credit facility (**2019 RCF**).

Use

The 2019 Term Loan may be drawn solely by the Group and may be used for general financial needs.

The Group is also the original borrower under the 2019 RCF, although some members of the Group (namely, Ariston Thermo Benelux S.A., Ariston Thermo France SAS (former Chaffoteaux SAS), ELCO International GmbH, ATAG Heating B.V. and ELCOTHERM AG) may adhere to the 2019 Facility Agreement, subject to certain conditions, and draw the 2019 RCF directly (**2019 Selected Subsidiaries**).

In case of adherence to the 2019 Facility Agreement by any of the 2019 Selected Subsidiaries, the Group will act as their guarantor undertaking, as an independent and primary obligation, to indemnify the 2019 Lenders on demand against any loss they incur as a result of a 2019 Selected Subsidiary not complying with its obligation under the 2019 Facility Agreement. This guarantee is limited to a maximum amount of €160 million.

Availability term and maturity

The 2019 Term Loan will mature on the sixth anniversary of the execution date of the 2019 Facility Agreement.

The 2019 RCF is made available to the Group and the 2019 Selected Subsidiaries, as the case may be, for a term running from the date of execution of the 2019 Facility Agreement until the first business day of the third month prior to the maturity date of the 2019 RCF as better specified below. The 2019 RCF will mature on the on the seventh anniversary of the execution date of the 2019 Facility Agreement.

Payment of fees and interest and repayments of principal

With reference to the sole 2019 RCF, the Group has also to pay a quarterly fee for non-use equal to 35 base points per year, equal to 0.35% of the available facility under the 2019 RCF, to be calculated each and every day throughout the term of availability.

The 2019 Term Loan will bear interests at a floating rate composed of (i) 6-months EURIBOR (with 0 floor), plus (ii) a margin equal to 1.25%, to be paid at the end of each 6-months interest period.

The amount drawn in euro under the 2019 RCF will bear interest at a floating rate composed of (i) 3-month or 6-month EURIBOR (with 0 floor), depending on the duration of the relevant interest period as selected by the borrower in its request of release notified from time to time to the 2019 Lenders, plus (ii) a margin equal to 1.30%, to be paid at the end of each interest period (as selected by the borrower). The Group and/or any of the 2019 Selected Subsidiaries, as the case may be, must repay each principal amount from time to time drawn under the 2019 RCF on the expiry of its relevant interest period. The repaid amounts may be drawn again by the same respective borrower.

Currency

The amounts under the 2019 Facility Agreement are always indicated in euro, with the sole exception of the amounts possibly drawn by ELCOTHERM AG, which will be indicated in Swiss Francs.

Representations and covenants

The 2019 Facility Agreement contains a number of customary representations and covenants, in particular:

- an undertaking by the borrower not to sell, without the prior consent of the Lenders, all or part of the relevant borrower's assets, except for permitted disposals as defined therein ; and
- a negative pledge covenant pursuant to which the borrow undertakes to refrain from creating, or allowing the creation of, any lien on its assets without the prior consent of the Lenders, save for permitted liens as defined therein.

In its role as guarantor, the Group assumed the covenants set forth in the 2019 Facility Agreement also with reference to those 2019 Selected Subsidiaries having adhered to the 2019 Facility Agreement.

Voluntary prepayments

Any of the borrowers under the 2019 Facility Agreement may withdraw, entirely or partially, from the 2019 Facility Agreement and, consequently, prepay the amount borrowed, which, in case of partial withdrawal, shall be at least equal to €10 million. The cancelled amount cannot be drawn again anymore. No prepayment penalty is due.

Acceleration, termination and right of withdrawal

The 2019 Facility Agreement provides for certain standard events of acceleration, termination and right of withdrawal in favour of the 2019 Lenders, including: (i) a change of control clause, in case of any event entailing the acquisition, directly or indirectly, of control of the Group (or any of the 2019 Selected Subsidiaries) by any person other than the members of the Merloni Family (as better defined in the 2019 Facility Agreement); and (ii) a cross-default clause, which applies in case of acceleration or termination of any facility agreement (other than the 2019 Facility Agreement) entered into by any of Group company that is currently party to the 2019 Facility Agreement (or which potentially will be in accordance with the terms thereof), as borrower, and third parties not belonging to the Group, as lenders, or the withdrawal by any third party from such facility agreements, provided that, from time to time, the aggregate financial indebtedness of the borrower and of the Group, including as guarantor, deriving from such facility agreements is equal to an aggregate amount greater than the higher of (a) €25 million and (b) 10% of the net equity of the Company on a non-consolidated basis, as resulting from the financial statements delivered to BNL (in its capacity as agent).

Prepayments of any amounts drawn under the 2019 Facility Agreement are mandatorily due in any case of acceleration, withdrawal from, or termination of, the 2019 Facility Agreement. In such events, the 2019 Lenders have the right to receive also the accrued interest and default interest.

Governing law

The 2019 Facility Agreement is governed by Italian law.

2018 Facility Agreement

On 3 August 2018 Ariston Thermo S.p.A., as borrower, and Banca Nazionale del Lavoro S.p.A., Intesa Sanpaolo S.p.A., Unione di Banche Italiane S.p.A., Banca Popolare di Milano S.p.A., Mediobanca – Banca di Credito Finanziario S.p.A., Credito Valtellinese S.p.A. and Banca Passadore & C. S.p.A. (**2018 Lenders**) entered into a facility agreement (**2018 Facility Agreement**) providing a €250 million revolving credit facility (**2018 RCF**).

Use

The 2018 RCF may be used for general financial needs.

Availability term and maturity

The 2018 RCF is made available to the Group for a term running from the business date of effective availability of the 2018 RCF, in accordance with the 2018 Facility Agreement, until the first business day of the month preceding the maturity date of the 2018 RCF as specified below. The 2018 RCF will mature on the seventh anniversary of the execution date of the 2018 Facility Agreement.

Payment of fees and interest and repayments of principal

Under the 2018 RCF, the Group has to pay a quarterly fee for non-use equal to 28 base points per year, equal to 0.28%, of the available facility under the 2018 RCF.

The amount released under the 2018 RCF will bear interests at a floating rate composed of (i) 1-month, 3-month or 6-month EURIBOR (with 0 floor), depending on the duration of the relevant interest period as selected by the borrower in its request of release notified from time to time to the 2018 Lenders, plus (ii) a margin equal to 115 base points per year, equal to 1,15%, to be paid at the end of each interest period (as selected by the borrower).

The Group has to repay each principal amount from time to time drawn under the 2018 RCF on the expiry of its relevant interest period. The repaid amounts may be drawn again by the Group.

Currency

The amounts under the 2018 Facility Agreement are in euro.

Representations and covenants

The 2018 Facility Agreement contains a number of customary representations and covenants, in particular:

- an undertaking by the borrower not to sell, without the prior consent of the Lenders, all or part of the relevant borrower's assets, except for permitted disposals as defined therein; and
- a negative pledge covenant pursuant to which the borrow undertakes to refrain from creating, or allowing the creation of, any lien on its assets without the prior consent of the Lenders, save for permitted liens as defined therein.

In case of transfer of the 2018 Facility Agreement by the Group pursuant to, and in accordance with, the terms and conditions of the 2018 Facility Agreement, the Group, in its role as guarantor, will assume all the covenants set forth in the 2018 Facility Agreement also with reference to its Italian subsidiary having taken over the 2018 Facility Agreement.

Voluntary prepayments

The borrower under the 2018 Facility Agreement may withdraw, entirely or partially, from the 2018 Facility Agreement and, consequently, prepay the amount borrowed, which, in case of partial withdrawal, shall be at least equal to €10 million. The cancelled amount cannot be drawn again anymore. No prepayment penalty is due.

Acceleration, termination and right of withdrawal

The 2018 Facility Agreement provides for certain standard events of acceleration, termination and right of withdrawal in favour of the 2018 Lenders, including: (i) a change of control clause, in case of any event entailing the acquisition, directly or indirectly, of the control of the Group by any person other than the members of the Merloni Family (as better defined in the 2018 Facility Agreement); and (ii) a cross-default clause, which applies in case of acceleration or termination of any facility agreement (other than the 2018 Facility Agreement) entered into by any Group company that is currently party to the 2018 Facility Agreement (or which potentially will be in accordance with the terms thereof), as borrowers, and third parties not belonging to the Group, as lenders, or the withdrawal by any third party from such facility agreements, provided that, from time to time, the aggregate financial indebtedness of the borrower, including as guarantor, deriving from such facility agreements is equal to an aggregate amount greater than the higher of (a) €25 million and (b) 10% of the net equity.

Prepayments of any amounts drawn under the 2018 Facility Agreement are mandatorily due in any case of acceleration, withdrawal from, or termination of, the 2018 Facility Agreement. In such events, the 2018 Lenders have the right to receive also the accrued interests and default interests.

Governing law

The 2018 Facility Agreement is governed by Italian law.

CAPITAL EXPENDITURE AND INVESTMENTS

The following table sets forth a summary of the Group's capital expenditures and investments for the periods indicated:

	Nine months ended 30 September		**Year ended 31 December**		
	2021 (Unaudited)	**2020 (Unaudited)**	**2020**	**2019**	**2018**
		(in millions of euro)			
Investments in intangible assets	9	8	14	16	16
Investments in tangible assets	30	10	31	44	45
Investments in right of use assets	10	12	17	24	23
Total investment in tangible, intangible and right of use assets	**49**	**30**	**61**	**84**	**84**

Investments made in the nine months ended 30 September 2021

During the nine months ended 30 September 2021, the Group invested an aggregate of €49 million, primarily in tangible assets in connection with the capitalisation of cost occurred in the year on assets under construction and investment in land and buildings mainly attributable to the acquisition of the Borgo Tufico warehouse plant and machinery and moulds mainly relating to the Albacina and Saint Petersburg plants.

Investments made in the year ended 31 December 2020

During the year ended 31 December 2020, the Group invested an aggregate of €61 million mostly in tangible assets in connection with the capitalisation of cost occurred in the year on assets under construction and investment in land and buildings such as in plant and machinery, mainly attributable to the replacement of manufacturing equipment at the end of its useful life as well as new production lines, platforms for new products, and the conversion and continued expansion of the Group's production site in Albacina.

During the year ended 31 December 2020, the Group also made investments in right of use of €17 million, attributable mainly to land and buildings.

During the same period, the Group also made investments in intangible assets of €14 million, mainly in software.

Investments made in the year ended 31 December 2019

During the year ended 31 December 2019, the Group invested an aggregate of €84 million primarily in tangible assets, mainly including new industrial and commercial equipment for plants and machinery, the upgrading and replacement of manufacturing equipment at the end of its useful life, investments in new production lines and platforms for new products, the automisation of the production site in Albacina and the Components division's new manufacturing plant in Serbia. The investments in right of use assets for the year ended 31 December 2019 related to buildings (€10 million) and vehicles (€13 million).

During the same period, the Group also made investments in intangible assets of €16 million, attributable mainly to concessions, licenses and trademarks, largely because part of the goodwill attributed to the Calorex group at the time of the acquisition was allocated to licenses and trademarks.

Investments made in the year ended 31 December 2018

During the year ended 31 December 2018, the Group invested an aggregate of €84 million mostly in tangible assets mainly including new industrial and commercial equipment, vehicles and production platforms, the upgrading and replacement of manufacturing equipment at the end of its useful life, and the mechanization of the production site in Albacina purchased from Whirlpool in 2018 as a competence centre for the design and production of advanced thermal comfort technology powered by renewable energy. Investments in right of use assets for the year ended 31 December 2018 related to buildings (€15 million) and vehicles (€7 million).

During the same period, the Group also made investments in intangible assets of €16 million, attributable mainly to software.

CONTINGENT AND OTHER OFF-BALANCE SHEET LIABILITIES

The Group did not have any contingent or off-balance sheet arrangements as at 31 December 2020, 2019 and 2018 that have or are reasonably likely to have a material impact on its current or future financial position.

SIGNIFICANT AND CRITICAL ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The Company also exercises judgements in applying the Group´s accounting policies. For a description of the Group's critical accounting judgments and key sources of estimation uncertainty, see Note [●] of the Annual Financial Statements, set out in the section *Historic Financial Information*.

CURRENCY POLICIES

Monetary assets and liabilities originally expressed in a foreign currency, recognised in the financial statements at the exchange rate in effect at the recognition date, are adjusted to the exchange rate at the end of the reporting period by offsetting them in the income statement of the relevant year.

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. 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 includes this foreign operation.

The interest rate risk to which the Group is exposed originates primarily from the bank financing. The Group's policy for managing this risk seeks to strike a balance between fixed- and variable-rate debts, considering the maturity profile and short-term market outlook, including for the purposes of curbing funding costs.

FINANCIAL RISK MANAGEMENT

Group's business activity and debt financing exposes it to certain financial risks, the most significant of which are credit risk, liquidity risk, exchange rate risk, commodity price fluctuation risk and interest rate risk. Its risk management strategy seeks to minimise potential negative effects on its financial performance. Its risk management function coordinates and monitors its main financial risks, including by using hedging agreements where necessary.

Credit risk

Credit risk is the Group's exposure to potential losses from failure by commercial counterparties to fulfil their obligations. 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.

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 horizon, since at the closing date of the period there was no significant increase in credit risk. In particular, the Group applies a provision matrix, an approach 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.

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.

The maximum exposure to risk, net of guarantees, at 31 December 2020 was €101 million, represented by non-insured receivables, on a total receivable of €228 million for the year ended 31 December 2020.

Liquidity risk

The bank loans currently available to the Group as well as the cash and cash equivalents from operating activities, are deemed to be adequate to allow the Group to meet all its obligations when they fall due. The Group manages its liquidity by using cash and cash equivalents in short-term technical forms or involving easy access.

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:

- 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);
- impacts on the operating result due to the translation of trade or financial receivables/payables denominated in another currency (transaction risk);
- 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 U.S. dollar, rouble, renminbi, Swiss franc and several other currencies for lower amounts.

The economic risk is hedged through average rate forward financial instruments, including hedging agreements against the volatility that characterises the currency markets, using as a reference the monthly average exchange rates, which allow the Group to achieve the goals set forth in its 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 to recognise 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, which came into force as of 1 January 2018.

In order to minimise its exposure to the transaction risk, the Group uses derivative forward instruments which allow for a 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 translation risk except for distribution of intragroup dividends.

Commodity price fluctuation risk

Profit and losses are affected by movements in the prices of raw materials, in particular steel, polyurethane and 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 the Group's products. To mitigate the risk of fluctuating prices for non-ferrous metals (copper, silver, nickel and aluminium) and reduce the impact of price volatility, the Group has taken measures, such as partial hedging, including for the years 2020, 2021 and 2022.

The Group hedged price risk with forward and average forward financial instruments that allow it to achieve the goals set out in its risk management policy. In pursuing these goals, the Group entered into derivatives hedging a set proportion of non-ferrous raw material purchases. At each reporting date, the exposure is presented in the financial statements using hedge accounting, which requires recognition of derivatives at their fair value in the balance sheet.

Interest rate risk

Interest rate risk refers to the possible impact on the income statement of fluctuations in the interest rates applied to the Group's financial indebtedness. 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 debt, while taking into account the maturity profile and short-term market outlook, including for the purpose of containing funding costs. The Group had, at 31 December 2020 and for hedging purposes, interest rate swap transactions for a total notional amount of €222 million. At 31 December 2020, 16% of bank financing is at a fixed rate (or 56% giving effect to the associated hedging instruments) and 84% is at a variable rate (44% giving effect to the associated hedging instruments), consistently with the Group policy.

MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

GENERAL

This section gives an overview of the material information concerning the Board, the Group's employees and its corporate governance. It is based on and discusses relevant provisions of Dutch law as in effect on the date of this Prospectus, the Articles of Association and Board rules as these will be in effect immediately prior to Settlement. The full text of the Articles of Association (in Dutch, and an unofficial English translation thereof) and the Board rules (in English) are available free of charge on the Company's website (www.aristongroup.com).

MANAGEMENT STRUCTURE

The Company maintains a one-tier board structure consisting of Executive Directors and Non-Executive Directors. The Executive Directors are responsible for the Company's day-to-day management, which includes, among other things, formulating its strategies and policies and setting and achieving its objectives. The Non-Executive Directors supervise and advise the Executive Directors. Each Director is responsible for the general course of affairs and must act in the interest of the Company and the business connected with it. Under Dutch law, the Company's corporate interest extends to the interests of all its stakeholders, including its shareholders, creditors and employees.

At the date of this Prospectus, the provisions in Dutch law which are commonly referred to as the 'large company regime' (*structuurregime*) do not apply to the Company. The Company does not intend to voluntarily apply the 'large company regime'. The Company may meet the requirements of the 'large company regime' in the future, which will have an impact on the governance described below. The Company may then be eligible to rely on the holding and financing company exemption to the "large company regime" becoming applicable to it if at least 50% of its employees work outside of the Netherlands.

BOARD

Powers, responsibilities and functioning

The Board is the executive and supervisory body of the Company and responsible for the continuity of the Company. It is entrusted with the management of the Company, it supervises the general course of affairs, and is responsible for the continuity, of the Company and the business connected with it. The Board is accountable for these matters to the General Meeting.

The Board's responsibilities include, among other things, setting the Company's management agenda, developing a view on long-term value creation by the Company, enhancing the performance of the Company, developing a strategy, identifying, analysing and managing the risks associated with the Company's strategy and activities and establishing and implementing internal procedures, which safeguard that all relevant information is known to the Board in a timely manner.

The Board may perform all acts necessary or useful for achieving the Company's corporate purposes, except for those expressly attributed to the General Meeting or the Non-Executive Directors as a matter of Dutch law or pursuant to the Articles of Association (see "*—Meetings and decisions*"). Pursuant to the Articles of Association, the Board may delegate duties and powers to individual Directors and may establish committees consisting of one or more Directors or of other persons to the extent such committee is only entrusted with an advisory task. However, supervising duties may not be delegated to Executive Directors. In fulfilling their responsibilities, the Directors must act in the interest of the Company and give specific attention to the relevant interests of the Company's employees, shareholders, lenders, customers, suppliers and other stakeholders of the Company.

The Executive Directors shall timely provide the Non-Executive Directors with the information necessary for the performance of their supervision duties. The Executive Directors are required to keep the Non-Executive Directors informed and to consult with the Non-Executive Directors on important matters.

The Board as a whole is authorised to represent the Company. Additionally, the Executive Chair is solely authorised to represent the Company. Pursuant to the Articles of Association, the Board may grant one or more officers a power of attorney to represent the Company. At the date of this Prospectus, the Chief Executive Officer has been granted a power of attorney to solely represent the Company, within the limits of such power of attorney.

Dutch law provides that resolutions of the Board involving major changes in the Company's identity or character are subject to the approval of the General Meeting. See "— *Meetings and decisions*" for further information on the approval of the General Meeting required for such major changes.

Board rules

Pursuant to the Articles of Association, the Board may adopt rules and regulations that allocate duties to one or more Directors and regulate such subjects as the Board deems necessary or appropriate. The Board rules may describe the duties, tasks, composition, procedures and decision-making of the Board. The Board rules will be in effect immediately prior to Settlement.

Composition, appointment, dismissal and suspension

The Articles of Association and the Board rules provide that the Board will consist of one or more Executive Directors and one or more Non-Executive Directors. The Board will determine the total number of Directors, which will not be more than fifteen Directors in total. As at the Settlement Date, the Board comprises two Executive Directors and ten Non-Executive Directors. Six Non-Executive Directors are classified as independent pursuant to the Dutch Corporate Governance Code (**Dutch Code**).

The Directors will be 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 such majority represents more than half of the issued share capital of the Company. If a nomination has not been made or not been made in due time, this shall be stated in a notice convening the General Meeting and the General Meeting shall be free to appoint the relevant 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 as a Director 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 Chair must be adopted with a majority of two thirds of the votes cast in a meeting where all Directors, other than the Executive Chair, are present or represented. The General Meeting shall within three months after the suspension has taken effect, resolve either to dismiss such Director, or to terminate or continue the suspension, failing which the suspension shall end. A suspension may be extended 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, at the end of that period, no decision has been taken on termination of the suspension or on dismissal of the Managing Director, the suspension shall end.

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 Company's issued capital.

Term of appointment

In line with the Dutch Code, 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. The Company's diversity policy drawn up in accordance with the Board rules will be considered in the preparation of the appointment or reappointment. Directors shall retire at the end of their term after the annual General Meeting to be held in 2024.

Diversity

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. As such, the Board has adopted a diversity policy. The diversity policy will be taken into account when considering the appointment and reappointment of Directors. The diversity policy will provide that a diverse Board will include, and make use of, differences in the background, gender, geographical and industry experience, skills and other distinctions between Directors. These differences will be considered in determining the composition of the Board and, when possible, will be balanced appropriately. Board appointments are made on merit, in the context of the diversity, experience, independence, knowledge and skills the Board as a whole requires to be effective.

A bill (*Wetsvoorstel inzake evenwichtige man vrouw verhouding in de top van het bedrijfsleven*) introducing gender diversity measures has been approved by the Senate (*Eerste Kamer*). Once the bill enters into force, certain large companies (please see "*—Board—Limitation of positions*" for the definition of a large company), 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 management board and the supervisory board as well as for a certain category of employees in management positions to be determined by the company. The management board has to set measurable objectives for achieving these diversity targets. In addition, the company has to report to the Dutch Social and Economic Council (*Sociaal Economische Raad*) on an annual basis on the number of men and women who are members of the management board and the supervisory 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. It is expected that the new law will enter into force at the beginning of 2022.

As at the Settlement Date, the Board will comprise 10 Non-Executive Directors, of which seven men (70%) and three women (30%). The Company's objectives are to improve the gender diversity in the Board and for senior management when a vacancy arises.

Limitation of positions

Pursuant to Dutch law, there are limitations to the number of supervisory or non-executive positions persons can hold on the boards of directors of large Dutch companies. The Company qualifies as a "large Dutch company". The term "large Dutch company" applies to any Dutch company or Dutch foundation that at two consecutive balance sheet dates meets at least two of the following criteria: (i) the value of its assets, as given in its balance sheet (together with explanatory notes) on the basis of their acquisition price and production costs, is more than €20 million; (ii) its net turnover in the applicable year is more than €40 million; and (iii) the average number of employees in the applicable financial year is at least 250. An appointment in violation of these restrictions will result in that last appointment being void. Earlier appointments at other entities are not affected. The fact that an appointment is thus void does not affect the validity of decision-making. The term "*large Dutch company*" for purposes of this paragraph and differs from the concept of the "*large company regime*" (*structuurregime*) as referred to under "*—Management structure*".

A person cannot be appointed as a managing or executive director of a large Dutch company if: (i) they already hold a supervisory or non-executive position at more than two other large Dutch company; or (ii) they are the chair (*voorzitte*r) of the supervisory board or one-tier board of directors of another large Dutch company. Also, a person cannot be appointed as a supervisory board member or non-executive director of a large Dutch company if they already hold a supervisory position or non-executive position at five or more other large Dutch companies, whereby the position of chair of the supervisory board or one-tier board of directors of another large Dutch company is counted twice.

As at the Settlement Date, the members of the Board will comply with these rules as none of the Directors will hold more than the allowed number of positions with large Dutch companies on the Settlement Date.

Meetings and decisions

The Board meets whenever deemed necessary by the Executive-Chair or the lead Non-Executive Director (the **Lead Non-Executive Director**). Pursuant to the Articles of Association, resolutions of the Board are adopted by an absolute majority of the votes cast. Each Director has one vote. If the vote is tied and more than two Directors are in office, the Executive Chair will have a casting vote and if the Executive Chair is vacant or the Executive Chair is not present at the meeting concerned, the Lead Non-Executive Director will have a casting vote.

The Board may also adopt resolutions without convening a meeting, provided that all Directors entitled to vote have been consulted and none of them have raised an objection to adopt resolutions in this manner.

Dutch law and the Articles of Association provide that resolutions of the Board involving major changes in the Company's identity or character are subject to the approval of the General Meeting. Such changes include:

- the transfer of all or a substantial portion of the Company's business to a third party;
- entering into or terminating a long-term cooperation between the Company or a subsidiary (*dochtermaatschappij*) of the Company with another legal entity or company or as fully liable partner in a limited partnership or general partnership, if such cooperation or termination is of fundamental importance for the Company; and
- acquiring or disposing by the Company or a subsidiary (*dochtermaatschappij*) of the Company of a participation in the capital of a company if the value of such participation is at least one-third of the sum of the assets of the Company according to its consolidated balance sheet and explanatory notes set out in the last adopted annual accounts of the Company.

In each of the above-mentioned situations, the absence of approval from the General Meeting does not affect the authority of the Board to represent the Company. In addition, certain resolutions of the Board identified in the Board rules (for example the amendment of the Articles of Association or adoption of the Directors' report and Annual Accounts) can only be taken with the consent of the majority of the Non-Executive Directors.

Conflicts of interest

Dutch law provides that a member of the board of directors of a Dutch public limited liability company, such as the Company, may not participate in the adoption of resolutions (including deliberations in respect of these) if he or she has a direct or indirect personal interest conflicting with the interests of the company. Such a conflict of interest in any event exists 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 the event that a Director is uncertain whether or not he has a conflict of interest with respect to a proposed board resolution, he may request the Non-Executive Directors to determine whether there is a conflict of interest. A Director may not participate in the discussions and decision-making on a subject or transaction in relation to which such Director has a direct or indirect personal conflict of interest. If no resolution can be adopted by the Board as a consequence of such a conflict of interest, the resolution concerned will be adopted by the General Meeting.

In addition, if a Director does not comply with the provisions on conflicts 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 a company cannot be annulled on the grounds that a decision of its board was adopted with the participation of conflicted Executive Directors. However, under certain circumstances, a company may annul such an agreement or transaction if the counterparty misused the relevant conflict of interest.

Related party transactions policy

The Board rules provide for a related party transactions policy in accordance with Dutch law. Related party transactions include transactions between the Group and "related parties" as defined in the related party transactions policy (including, one or more shareholders representing 10% of the issued share capital in the Company, a Director and any parties qualifying as such in accordance with IFRS (IAS 24 – Related Party Disclosures)). See "*Description of Share Capital and Corporate Structure—Related party transactions regime*" for further information on the Dutch related party transactions regime.

The related party transactions policy provides procedures for Directors to notify a potential related party transaction. Potential related party transactions shall be subject to review by the Board. The related party transactions policy stipulates when a transaction qualifies as a related party transaction. No such related party transactions shall be undertaken without the approval of the Board. Any Director who has a direct or indirect personal interest in the transaction, or who is considered to be conflicted with respect to the transaction, cannot participate in the deliberations or decision-making with respect to the related party transaction concerned.

The Board may approve the related party transaction only if it determines that it is in the interests of the Company and its affiliated business. The Company's related party transaction policy will be available free of charge on the Company's website (www.aristongroup.com).

BOARD COMMITTEES

Pursuant to the Articles of Association and the Board rules, the Board may establish committees. The Board determines the composition and tasks of each committee and appoints the members of each committee. The Board may at any time change the duties and the composition of each committee. The committees' task shall be to prepare the Board's decision-making and to render advice to the Board. As at the Settlement Date, the Board shall have constituted two committees from among the Non-Executive Directors: an audit committee and a compensation and talent development committee which will, *inter alia*, act as both the remuneration committee and the selection and appointment committee in line with the Dutch Code. In addition, the Board shall have constituted from among its Directors or other persons a strategic committee and an ESG committee.

Audit committee

According to the audit committee rules, 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. The audit committee rules will be available free of charge on the Company's website (www.aristongroup.com).

The audit committee shall meet whenever one or more of its members have requested such meeting and at least four times a year. Other meetings will be held if this is deemed necessary by a member of the audit committee. The external auditor may, under special circumstances, request a special meeting with the audit committee to be held.

On the Settlement Date, the audit committee shall comprise three Non-Executive Directors: Lorenzo Pozza, Andrea Silvestri and Sabrina Baggioni.

Compensation and talent development committee

According to the compensation and talent development committee rules, 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 compensation and talent development committee shall meet whenever one or more of its members have requested such meeting and at least twice a year.

On the Settlement Date, the compensation and talent development committee will comprise three Non-Executive Directors: Roberto Guidetti, Sabrina Baggioni and Marinella Soldi.

Strategic committee

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

On the Settlement Date, the strategic committee will comprise three Directors, Paolo Merloni, Enrico Vita and Ignazio Rocco di Torrepadula, and Andrea Guerra, who is not a Director.

ESG committee

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 ESG visions 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.

On the Settlement Date, the ESG committee will comprise three Directors: Paolo Merloni, Marinella Soldi and Roberto Guidetti.

DIRECTORS

As at the date of this Prospectus, the Board comprises the following Directors:

Name	Age	Position	Director since	Term
Paolo Merloni	53	Executive Director (Executive Chair)	1997	2024
Laurent Jacquemin	52	Executive Director	2017	2024

Name	Age	Position	Director since	Term
		(Chief Executive Officer)		
Francesco Merloni	96	Non-Executive Director	1986	2024
Marinella Soldi	54	Non-Executive Director (Lead Non-Executive Director)	2016	2024
Ignazio Rocco di Torrepadula	59	Non-Executive Director	2021	2024
Enrico Vita	51	Non-Executive Director	2018	2024
Roberto Guidetti	57	Non-Executive Director	2014	2024
Sabrina Baggioni	54	Non-Executive Director	2021	2024
Maria Francesca Merloni	57	Non-Executive Director	2008	2024
Paolo Tanoni	63	Non-Executive Director	2002	2024
Lorenzo Pozza	55	Non-Executive Director	2021	2024
Andrea Silvestri	52	Non-Executive Director	2021	2024

Biographies

Paolo Merloni is the Executive Chair of the Company and has been with the Group since 1993. Paolo has held several key positions over time, including director for the Group's operations in Central and Eastern Europe and Italy and vice-president with delegation to the Heating division. He is also Chair of Merloni Holding, member of the Executive Council of EHI (Association of the European Heating Industry), member of the Italian Board of Endeavour Global and of the board of the Aristide Merloni Foundation.

Laurent Jacquemin is the Group's Chief Executive Officer, has thirty years of articulated international experience and has been with the Group since 1992. He has held increasing positions in the commercial, marketing and sales areas, in relevant regions including Europe and Asia.

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 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, the Company's controlling shareholder.

Marinella Soldi is the Group's Lead Non-Executive Director and joined the Group 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.

Sabrina Baggioni is a Non-Executive Director. Sabrina Baggioni has been 5G Program Director at Vodafone Italia since September 2017. After joining Vodafone Italia in 2000 as Head of Business Development, she has held various positions over the years, focusing on innovation, online and digital and international roaming. In just a few years, she became the first person to take charge of integrated communication services for businesses, before becoming Enterprise Marketing Director (2006-2014). Prior to Vodafone, she worked as a consultant with Monitor Deloitte (from 1992 to 2000) in London, Abu Dhabi and latterly Milan, managing international projects and clients and primarily with responsibility for strategy, internationalisation and the product portfolio.

Roberto Guidetti is a Non-Executive Director. He 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.

Maria Francesca Merloni is a Non-Executive Director. Ms Merloni has had an extensive career working in publicity for large manufacturing companies. As founder and artistic director of Polesis Festival in Fabriano, Italy, she was awarded the UNESCO "Ombra della Sera" Prize in 2013 for her cultural, social and humanitarian work. Ms Merloni is also a non-executive director of Merloni Holding, the Company's controlling shareholder.

Lorenzo Pozza is a Non-Executive Director and a chartered statutory auditor. He served as director for 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 a 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.

Ignazio Rocco di Torrepadula is a Non-Executive Director. He 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.

Andrea Silvestri is a Non-Executive Director. He is registered in the both the Association of Chartered Accountants and Statutory Auditors of Rome and in the Lawyers" Milan Bar. Mr Silvestri is the coordinator of the Working Group on taxation of ASSTEL (Association of the Telecommunication Enterprises in Italy) and Assomineria (Association of the Enterprises of the Oil and Mining sector in Italy). He is a member of the board of statutory auditors and board of directors of a number of companies.

Paolo Tanoni is a Non-Executive Director. He has thirty years of experience in business law and extraordinary financing transactions, mergers and acquisitions, over which time he developed a deep knowledge over the sector, being able to rely on an established network of primary standing contacts with customers and operators both in the domestic and international market. Mr Tanoni was independent director and chairman of the audit committee of risks at the Italian oil and gas company Maire Tecnimont until 2014, and currently holds corporate offices in several companies and investment funds. Mr Tanoni is also a non-executive director of Merloni Holding, the Company's controlling shareholder.

Enrico Vita is a Non-Executive Director. He has held positions with growing responsibility at the Italian manufacturing company Indesit both in Italy and abroad, including as chief operating officer with responsibility in commercial, marketing and consumer after sale 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.

SENIOR MANAGEMENT TEAM

The following persons comprise the senior management team (**Senior Management Team**):

Name	Age	Position	Member since
Riccardo Gini	50	Chief Financial Officer	2021
Cosimo Corsini	43	Chief Strategic Officer	2018
Umberto Crovella	44	Chief Operating Officer	2020

Biographies

Riccardo Gini is the Group's Chief Financial Officer. He was previously CFO for the Parts & Services business at Stellantis following his role as CFO of FCA (Fiat Chrysler Automobiles) EMEA business since 2017. His expertise encompasses finance, accounting and control, risk management and corporate governance, gained over 25+ years in a range of industry segments such as Oil & Gas, Power Generation and Automotive, in General Electric and FCA/Stellantis respectively. During his extensive experience in leading large-scale global finance organizations, he successfully advises management and boards on business fundamentals & growth strategy, in both Italy and abroad (Switzerland, France, Asia Pacific).

Cosimo Corsini is the Group's Chief Strategic Officer. Before joining the Company in 2018, he was a partner at McKinsey & Company in Italy, a leader in the Electric Power and Natural Gas practice at European level and leader in the Italian mid-sized industrial cluster. During this period, he has gained relevant experience serving clients in several countries in Europe and South America.

Umberto Crovella is the Group's Chief Operating Officer. He has gained extensive relevant experience as Vice President Manufacturing for CNH Industrial N.V., overseeing 16 sites, including joint ventures, producing tractors, combines, light and heavy truck with over 14,000 people employees. He also acted as Senior Vice President for AG Segment overseeing 40 sites, including joint ventures, producing tractors, combines and powertrain components, with over 30,000 people employed.

GENERAL INFORMATION ABOUT THE DIRECTORS AND THE SENIOR MANAGEMENT TEAM

The table below sets out the names of all companies and partnerships of which a Director or a member of the Senior Management Team has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years, indicating whether or not the individual is still a member of the administrative, management or supervisory bodies or partner, as at the date of this Prospectus, other than a subsidiary of the Company.

Name	Company	Active/resigned
Directors		
Paolo Merloni	Merloni Holding	Active
	Endeavor Global, Inc.	Active
	Association of European Heating Industry	Active
	Fondazione Aristide Merloni	Active
	Confindustria	Resigned
Laurent Jacquemin	N/A	N/A
Francesco Merloni	Merloni Holding	Active
Marinella Soldi	RAI S.p.A.	Active
	Vodafone Foundation Italy	Active
	Nexi S.p.A.	Active
	Angelini Hives S.p.A.	Active
	Talent Garden S.p.A.	Resigned

Name	Company	Active/resigned
	Italmobilaire S.p.A.	Resigned
	Salvatore Ferragamo S.p.A.	Resigned
	Discovery Networks Inc	Resigned
	McKinsey & Company	Resigned
Sabrina Baggioni	N/A	N/A
Roberto Guidetti	Vitasoy International Holdings LTD	Active
Maria Francesca Merloni	Amaranta	Active
	Merloni Holding	Active
	United Nations Educational Scientific and Cultural Organisation	Active
	VERYDITAS	Active
Lorenzo Pozza	Amplifon S.p.A.	Active
	Angel Capital Management S.p.A.	Active
	Assicurazioni Generali S.p.A.	Active
	Bracco Imaging S.p.A.	Active
	Edison S.p.A.	Active
	Houlihan Lokey S.p.A.	Active
	Rudra S.p.A.	Active
	Transalpina di Energia S.p.A.	Active
	Fondazione SNAM	Active
	A.S.D. Special Olympics Italia Onlus	Active
	Wepartner S.p.A.	Active
	Gas Plus S.p.A.	Active
	Fondazione MSD	Active
Ignazio Rocco di Torrepadula	Assisteca S.p.A.	Active
	Revo S.p.A.	Active
	Credimi S.p.A.	Active
Andrea Silvestri	Fondazione Amplifon	Active
	Fondazione L. Rovati	Active
	La Casa delle Luci	Active
	Tenuta delle Luci Fondazione	Active
	Tenuta della Sgrilla S.s. Società Agricola	Active
	Four S Investment S.r.l.	Active
	Bluvet S.p.A.	Active
	Bennet S.p.A.	Active
	Bennet Holding S.p.A.	Active
	GLV Capital S.p.A.	Active
	Italiana Petroli S.p.A.	Active
	Fidim S.r.l.	Active
	Vodafone Italia S.p.A.	Active
	Humanitas S.p.A.	Active
	API Anonima Petroli Italiana S.p.A.	Resigned
	Luxvide S.p.A.	Resigned
Paolo Tanoni	Merloni Holding	Active
	Viridis Energia s.r.l	Resigned
	Furla S.p.A.	Resigned
Enrico Vita	Amplifon S.p.A.	Active
	Indesit Company S.p.A.	Resigned
	ELICA S.p.A.	Resigned
Senior Management Team		
Riccardo Gini	FCA Poland S.A.	Active
	Fidis S.p.A.	Active
	FCA France S.A.S.	Resigned
	FCA Germany AG	Resigned
	Fiat Chrysler Automobiles Middle East FZE	Resigned
	FCA Powertrain Poland Sp. z.o.o.	Resigned
	Fiat Chrysler Automobiles Spain S.A.	Resigned

Name	Company	Active/resigned
	Fiat Chrysler Automobiles UK Ltd	Resigned
Cosimo Corsini	McKinsey & Company	Resigned
Umberto Crovella	N/A	N/A

The business address of the Directors and the Senior Management Team is c/o Ariston Holding N.V., Via Broletto 44, 20121 Milan, Italy.

REMUNERATION INFORMATION OF THE BOARD

Board remuneration policy

In anticipation of Admission, the Company has considered the remuneration principles that it should apply to Directors to ensure these are appropriate for the listed company and regulatory environment and on 28 October 2021, the General Meeting has adopted a remuneration policy, upon the proposal of the Board. The remuneration policy will be available on the Company's website (www.aristongroup.com). The remuneration policy is expected to contribute to the Group's business strategy and enable it to achieve its business objectives.

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 achievement 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 market competitive fee levels. The remuneration policy is built on the following principles: (i) align short- and long-term strategy: this is reflected – amongst others – through the variable remuneration of the Executive Directors, where the short-term yearly objectives are aligned with the long term goals of the Group, as well as the grant of long-term variable remuneration, taking into account a three year vesting period, and lock-up obligations, (ii) pay for performance: the compensation must reinforce the performance driven culture and meritocracy, rewarding top performers and avoiding poor performance, (iii) differentiating by experience and responsibility: this is reflected through the alignment of the pay with the responsibilities, experience, competence and performance of individual jobholders. In addition, when determining the remuneration policy and any individual remuneration thereunder, the Board takes into account employment conditions within the Group, (iv) simple and transparent: this is reflected through a compensation policy based on simple and custom mechanism, so that everyone has clear visibility of its own potential total reward, and the achievement of the targets is verifiable from publicly disclosed, easily accessible, performance results, (v) risk prudence: the compensation structure should avoid incentives that encourage unnecessary or excessive risks taking that could threaten the Group's value and (iv) compliance: the Group adopts the highest standards of good corporate governance and the remuneration policy complies with applicable laws and regulations. The compensation philosophy of the Group is therefore to pay for performance, to be market driven, and to be fair and objective.

The compensation and talent development committee prepares the decisions regarding the remuneration policy and the execution thereof. In accordance with Dutch law, the remuneration policy will be submitted to the annual General Meeting at least every four years, as well as each time in case of amendments to the remuneration policy. Pursuant to the 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 Non-Executive Directors are responsible for the implementation and monitoring of the remuneration policy. The Executive Directors shall not participate in the deliberation and decision-making process for determining the remuneration of the Executive Directors.

Any revised remuneration policy, together with the date and the results of the vote at the General Meeting, will be available on the Company's website (www.aristongroup.com) and the remuneration policy will remain publicly available while it is applicable. If the General Meeting does not adopt the proposed amendments to the remuneration policy, the Company shall continue to remunerate in accordance with the existing adopted remuneration policy and shall submit a revised policy for approval at the following General Meeting.

In exceptional circumstances only, the Non-Executive Directors may decide to temporarily derogate from the remuneration policy. Exceptional circumstances only cover situations in which the derogation from the remuneration policy is necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability, for example the need to attract and/or retain (in a competitive market) key managerial competences or the need to provide incentives to key managers in office with respect to specific industrial objectives that, under contingent conditions, are of particular importance. The rationale and detail of any such deviation will be disclosed in the annual remuneration report.

Remuneration of the Executive Directors

The remuneration of, and other agreements with, the Executive Directors are determined by the Non-Executive Directors, with due observance of the remuneration policy. The remuneration of the Executive Directors consists of base remuneration and variable incentives.

Base remuneration

Director's fee and remuneration

The base remuneration compensates for the individual's experience, skills, duties, responsibilities and the contribution of the individual within the Company. The base remuneration of each Executive Director is a fixed cash compensation, which includes Director's fee and remuneration, paid on a monthly basis, which includes holiday allowance and other local statutory requirements per country.

The Company ensures that the base remuneration is: (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 of the Board reviews the base compensations and decides whether circumstances justify adjustments.

The amount of annual base remuneration is reviewed annually and in the event of the appointment of a new Executive Director by the compensation and talent development committee. 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 Company'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.

Benefits and perquisite

All Directors are beneficiaries of a D&O insurance policy 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 all-employee benefits plans offered at any given point.

Additional benefits and perquisite 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 affiliates 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.

Variable incentives

Short-term incentive

The short-term incentive (the Management by Objective scheme; the **MBO**) aims at ensuring that the Executive Directors, and other selected eligible employees, are well incentivised to achieve the Group's quantitative performance targets in the shorter-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 of the Board reviews the performances against the target ranges, based on the Group's financial records, as audited by the external auditor.

There are three performance indicators as follows: (i) Target A identifies the Group adjusted EBIT, weighing 60% of the global performance target, (ii) Target B identifies the Group turnover, weighing 20% of the global performance target and (iii) Target C identifies the product replacement rate (measuring the ratio between annual warranty intervention and replacement, and annual sales), weighing 20% of the global performance target.

Target C 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 conduct, which vigorously inspires the Group, 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

Executive Directors, members of the Senior Management Team and other selected eligible employees identified according to the banding model adopted by the Company are eligible for grants under the Group's long term incentive plan, as amended from time to time (the **LTI Plan**).

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

At the beginning of each year, the compensation and talent development committee proposes to the Board for each Executive Director: (i) the size of the grant, with a maximum value at target not exceeding 100% of the base remuneration and (ii) the target pay-out opportunity.

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

There are three performance targets as follows: (i) EBIT/net sales matrix, weighing 70% of the global performance target, (ii) relative total shareholders return (**TSR**), measuring the performance of the Shares vis-à-vis the shares of selected competitors) weighing 15% of the global performance target and (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, weighing 15% of the global performance target.

The time frame for assessing performance foresees a three-year vesting period with annual grants and a lock-up provision of two years on an amount equal to 30% of the Shares accrued for the Executive Directors.

Claw-back and discretion

In accordance with Dutch law, the Non-Executive Directors may adjust the outcome of variable compensation if the pay-out would, in its view, be unacceptable based on reasonability and fairness criteria. The Company can claim back variable payments (in whole or in part) if the pay-out was based on incorrect information about the achievement of the targets. Any application of claw-back or discretion will be disclosed and explained in the annual remuneration report.

Remuneration of the Non-Executive Directors

The General Meeting determines the remuneration of the Non-Executive Directors. The Board periodically submits proposals to the General Meeting in respect of the remuneration of the Non-Executive Directors. The remuneration of the Non-Executive Directors intends to reward Non-Executive Directors for utilising their skills and competences to the maximum extent possible to execute the tasks delegated to them including but not limited to tasks and responsibilities imposed by the Dutch Civil Code, Dutch Code and the Articles of Association. The remuneration of the Non-Executive Directors reflects the Company's size, as well as the responsibilities of the role and the time spent.

Given the nature of the responsibilities of the Non-Executive Directors as independent bodies, the remuneration of the Non-Executive Directors is not tied to the performance of the Company and therefore includes fixed compensations only. In line with the Dutch Code, Non-Executive Directors will not be rewarded any equity-based compensation. Payment of the remuneration is done in euro.

Non-Executive Directors shall not be eligible to participate in any benefits programs offered by the Company to its employees. The Company and its subsidiaries do not grant personal loans, guarantees or the like to Non-Executive Directors. Loans are not remitted. Non-Executive Directors will not be entitled to any severance pay and are not eligible to participate in a pension scheme or other pension related benefits.

The Non-Executive Directors will each receive an annual fixed fee of €50,000. The chair and the members of the Board's committees are provided with a supplementary committee fee for the additional responsibilities. The chair of each committee receives a committee fee of €20,000 and the other members of each Board committee receive a committee fee of €10,000.

Non-Executive Directors will be reimbursed for all reasonable business expenses incurred in the course of performing their duties. No notice period or termination fees are applicable when Non-Executive Directors resign at the end of their term after the annual General Meeting to be held in 2024.

All Non-Executive Directors are beneficiaries of the same D&O insurance policy of the Executive Directors.

Remuneration of the Executive Directors over the year ended 31 December 2020

The remuneration for the Executive Directors paid by the Group for the year ended 31 December 2020 is set out below:

	Base remuneration			Variable incentives		Total
	Director's fees	**Remuneration**	**Benefits and perquisite**	**Short term incentive**	**Long term incentive**	
Paolo Merloni	62,000	900,000	16,488	720,000	729,000	2,411,000
Laurent Jacquemin	50,000	650,000	16,488	480,000	729,000	1,909,000

As at 31 December 2020, €34,428 was set aside or accrued by the Company to provide for pension, retirement or similar benefits of the Executive Directors.

Remuneration of the Non-Executive Directors over the year ended 31 December 2020

The remuneration for the Non-Executive Directors paid by the Group for the year ended 31 December 2020 is set out below:

Name	Director's fees
Francesco Merloni	50,000
Marinella Soldi	74,000
Sara Dethridge[(1)]	60,000
Andrea Guerra[(1)]	-
Roberto Guidetti	59,000
Maria Francesca Merloni	50,000
Gianemilio Osculati	50,000
Paolo Tanoni	50,000
Enrico Vita	53,000

(1) Sara Dethridge and Andrea Guerra resigned as Directors upon the Redomiciliation. Andrea Guerra waived his Director's fee.

REMUNERATION INFORMATION OF THE SENIOR MANAGEMENT TEAM

The total of remuneration paid to the members of the Senior Management Team (see "—*Senior Management Team*") by the Group in the year ended 31 December 2020 amounted to €2,089,784, comprising base remuneration of €870,000, short-term incentives and other benefits of €680,324 and share-based long term incentive plan of €539,460.

As at 31 December 2020, €98,119 was set aside or accrued by the Company to provide for pension, retirement or similar benefits of the members of the Senior Management Team.

LONG TERM INCENTIVE PLANS

Phantom Stock Option plan

Until Admission, the long term incentive plan of the Group provides for the assignment to Executive Directors, members of the Senior Management Team and other selected eligible employees of so-called phantom stock options (**Phantom Stock Options**), a deferred cash bonus measured on the basis of the value of the Company. The Phantom Stock Options have a vesting period of three years with a subsequent exercise period of four years. The beneficiary pay-out is calculated on the increase of the equity value of the Company over time. Upon Admission, the Phantom Stock Option plan will terminate and the outstanding Phantom Stock Options will be converted as follows:

- beneficiaries of vested Phantom Stock Options have been given the option to either (i) convert their Phantom Stock Options into Ordinary Shares at the Offer Price or (ii) receive their bonus in cash; and
- unvested Phantom Stock Options will be converted into PSUs.

Settlement of the conversion of the Phantom Stock Options is expected to take place in January 2022. The conversion of Phantom Stock Options will result in the issue of 1,155,435 new Ordinary Shares, or 0.35% of the issued Shares (assuming an Offer Price at the bottom of the Offer Price Range). The Company will offset the obligation of the beneficiaries to pay for the subscription price of the new Offer Shares with the obligation of the Company to pay the Phantom Stock Options in the amount of €11,843,213. The conversion arrangements and the lock-up period (until 31 May 2022 for each beneficiary) are laid down in agreements between the Company and each beneficiary. The Company has full discretion to waive the lock-up period applicable to the beneficiaries at any time before its expiry.

Participation of Executive Directors and Senior Management Team in the Phantom Stock Option plan

The Executive Directors and the members of the Senior Management Team have chosen to convert their Phantom Stock Options entirely into Ordinary Shares. The table below provides an overview of the conversion result.

Name	Number of Ordinary Shares (bottom of the Offer Price Range)	Number of Ordinary Shares (top of the Offer Price Range)
Executive Directors		
Paolo Merloni	483,584	413,062
Laurent Jacquemin	347,819	297,095
Senior Management Team	106,350	90,840

LTI Plan

Executive Directors, members of the Senior Management Team and other selected eligible employees of the Group identified according to the banding model adopted by the Company are eligible for grants under the LTI Plan. The long-term incentive awards under the LTI Plan are made available annually (rolling grants) in the form of PSUs.

At the beginning of each year, the compensation and talent development committee proposes to the Board for each beneficiary: (i) the size of the grant for each beneficiary, with a maxim value at target not exceeding 100% of the base remuneration and (ii) the target pay-out opportunity.

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

There are three performance targets as follows: (i) EBIT/net sales matrix, weighing 70% of the global performance target, (ii) relative TSR, measuring the performance of the Shares vis-à-vis the shares of selected competitors weighing 15% of the global performance target and (iii) an ESG objective, measuring the percentage of renewables and high efficiency products sold out of the total turnover generate from the sale of products, weighing 15% of the global performance target.

The time frame for assessing performance foresees a three-year vesting period with annual grants and a lock-up provision of two years on an amount equal to 30% of the Shares accrued for the beneficiaries.

At the date of this Prospectus, no PSUs under the LTI Plan have been awarded.

Interests of the Directors and the Senior Management Team

The table below provides an overview of the equity position directly or indirectly held by the Directors and members of the Senior Management Team at the date of this Prospectus.

Executive Directors	**Shareholding**
Paolo Merloni[(1)]	80.43% of voting rights
	16.835% right to dividends
Lauren Jacquemin	–
Non-Executive Directors	
Francesco Merloni[(1)]	7.130% (jointly with another person) voting rights
	57.332% right to dividends
Marinella Soldi	–
Sabrina Baggioni	–
Roberto Guidetti	–
Maria Francesca Merloni[(2)]	12.00%
Lorenzo Pozza	–
Ignazio Rocco di Torrepadula	–
Andrea Silvestri	–
Paolo Tanoni	–
Enrico Vita	–
Senior Management Team	
Riccardo Gini	–
Cosimo Corsini	–
Umberto Crovella	–

(1) Indirectly held via Merloni Holding.
(2) Indirectly held via Amaranta.

OTHER INFORMATION

Employment or management agreement

None of the employment and management agreements of the Non-Executive Directors include contractual severance provisions. 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 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; 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.

The employment agreement of the Executive Chair and the management agreement of the Chief Executive Officer are governed by Italian law.

Potential conflicts of interest and other information

Other than the circumstances as described below, there are no potential conflicts of interests between the personal interests or other duties of Directors or members of the Senior Management Team on the one hand and their duties to the Company on the other hand.

Paolo Merloni controls, and Francesco Merloni holds an interest in, Merloni Holding and Maria Francesca Merloni controls Amaranta (see "*—Interests of the Directors and the Senior Management Team*"). Paolo Merloni, Francesco Merloni and Maria Francesca Merloni are Directors of the Company. On the Settlement Date, the Selling Shareholders will hold 100% of the Multiple Voting Shares and they will be able to exercise 91.34% of the voting rights in respect of the Shares (assuming the Offer Price is set at the mid-point of the Offer Price Range, full exercise of the Over-Allotment Option and application of the Voting Limitation), such that the maximum number of voting rights to be cast by a shareholder will be the greater of (a) two times the total number of Ordinary Shares issued and outstanding at the record date of a General Meeting and (b) nine times the total number of 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 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.

There is a family relationship between Francesco Merloni, Paolo Merloni and Maria Francesca Merloni. Francesco Merloni is the father of Paolo Merloni and Maria Francesca Merloni. Paolo Merloni and Francesca Maria Merloni are siblings. There is no other family relationship between any other Director or member of the Senior Management Team.

Francesco Merloni, Maria Francesca Merloni and Paolo Tanoni, Directors of the Company, are also non-executive directors of Merloni Holding.

Since the interests of the Selling Shareholders may not be aligned with the interests of the Company, a conflict of interest might arise resulting from the circumstances as described above. 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, please also see "*Risk Factors—As a result of the Company's dual-class share structure with different voting rights, the controlling shareholder – Merloni Holding S.p.A.– will be in a position to exert substantial influence over the Company*". Paolo Tanoni and Francesco Merloni owe a fiduciary duty to the Company's stakeholders as Directors and they must act in a manner that they reasonably believe to be in the best interests of the Company's stakeholders and should also act in the best interest of Merloni Holding as board members of Merloni Holding and Francesco Merloni also has an interest aligned with Merloni Holding, both of which may not always be in the interests of the Company's stakeholders generally. Please also see "*Shareholders and Related Party Transactions—Related party transactions*" for further information on the related party transactions of the Group with Directors and see "*Description of Share Capital and Corporate Structure—Related party transactions regime*" for further information on the Dutch related party transactions regime.

The Company does not expect that the circumstances described above will cause any of the Directors to have a conflict with the duties they have towards the Company. The Articles of Association and the Board rules, however, include arrangements to ensure that the Board will in each relevant situation handle and decide on any (potential) conflict of interest, also in this respect. A Director shall not participate in the deliberation and decision-making process if he or she has a conflict of interest. Other than these circumstances, the Company is not aware of any other circumstance that may lead to a (potential) conflict of interest between the private interests or other duties of Directors and their duties towards the Company.

During the five years preceding the date of this Prospectus, none of the Directors: (i) has been convicted of fraudulent offenses; (ii) has served as a member of the administrative, management or supervisory body of any entity subject to bankruptcies, receivership or liquidation or companies put into administration; or (iii) has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer.

Other than as disclosed in "*Shareholders and Related Party Transactions—Related party transactions*", there are no arrangements or understandings with the Selling Shareholders, customers, suppliers or others, pursuant to which any Director was selected as a member of a management body of the Company.

Liability of Directors

Under Dutch law, Directors may be liable towards the Company for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages towards the Company for infringement of the Articles of Association or of certain provisions of the Dutch Civil Code. In addition, they may be liable towards third parties for infringement of certain provisions of the Dutch Civil Code. In certain circumstances, they may also incur additional specific civil, administrative and criminal liabilities.

Insurance

Directors are insured under a D&O insurance policy taken out by the Company against damages resulting from their conduct when acting in their capacities as Directors.

Indemnification

The Articles of Association include provisions regarding the indemnification, to the extent permissible by the rules and regulations applicable to the Company, of current and former Directors against: (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.

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.

EMPLOYEES

The table below provides an overview of the average numbers of employees the Group employed at the end of the period, subdivided per Group geographical region.

Region	**As at 30 September 2021**	**FY 2020**	**FY 2019**	**FY 2018**
Europe	4,758	4,680	4,620	4,676
Asia & MEA	1,656	1,652	1,781	1,847
Americas	1,278	1,083	1,118	333
Total	**7,692**	**7,415**	**7,519**	**6,856**

The tables below provide an overview of the average number of employees the Group employed at the end of the period, subdivided per segment.

Divisions	**As at 30 September 2021**	**FY 2020**	**FY 2019**	**FY 2018**
Thermal Comfort	6,752	6,504	6,619	5,957
Components	315	600	570	556
Burners	625	311	330	343
Total	**7,692**	**7,415**	**7,519**	**6,856**

DUTCH CODE

The Dutch Code dated 8 December 2016, as amended from time to time, became effective on 1 January 2017 and finds its statutory basis in Book 2 of the Dutch Civil Code. The Dutch Code applies to the Company as the Company has its seat in the Netherlands and its Ordinary Shares will be listed on Euronext Milan on the First Trading Date.

The Dutch Code is based on a 'comply or explain' (*pas toe of leg uit*) principle. Accordingly, companies are required to disclose in their report of the board of directors whether or not they are complying with the various best practice provisions of the Dutch Code that are addressed to the managing/executive directors or, if applicable, the supervisory/non-executive directors of the company. If a company deviates from a best practice provision in the Dutch Code, the reason for such deviation must be properly explained in its directors' report.

On the Settlement Date, the Company will comply with the principles of the Dutch Code, except for the following principles of the Dutch Code:

- *Best practice provision 2.1.7 (independence of the supervisory board)*

  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. There are three Non-Executive Directors affiliated with Merloni Holding: Francesco Merloni, Maria Francesca Merloni and Paolo Tanoni.

- *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 will retire simultaneously at the end of their term after the annual General Meeting to be held in 2024.

- *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

- *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 Chair 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 (see "—*Other information—Employment or management agreement*"). 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).

SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Shareholder structure

Shareholders at the date of this Prospectus

The following table sets out the Ordinary Shares and Multiple Voting Shares held by each shareholder as at the date of this Prospectus:

	Ordinary Shares	Multiple Voting Shares	Percentage of issued share capital and voting rights
Merloni Holding[1]	66,000,000	198,000,000	88.0%
Amaranta[2]	9,000,000	27,000,000	12.0%
Total	**75,000,000**	**225,000,000**	**100.0%**

[3] Merloni Holding is controlled by Paolo Merloni, Executive Chair of the Company.
[4] Amaranta is controlled by Maria Francesca Merloni, Non-Executive Director of the Company.

Shareholders at the Settlement Date

The tables below reflect the number and percentage of issued and outstanding Shares that the shareholders will offer and sell and continue to hold in the scenario with an Offer Price at the bottom of the Offer Price Range (i.e. €10.25), as well as in a scenario with an Offer Price at the top-end of the Offer Price Range (i.e. €12.00) and in each case for a scenario where the Over-Allotment Option is not exercised and a scenario where the Over-Allotment Option is fully exercised. The tables below assume application of the Voting Limitation. No Multiple Voting Shares will be sold as part of the Offer.

Bottom of the Offer Price Range

	No Over-Allotment Option Exercise				
	Number of Offer Shares Sold	Number of Ordinary Shares post-Settlement	Number of Multiple Voting Shares post-Settlement	% of Shares post-Settlement	% of voting rights (applying the Voting Limitation)
Merloni Holding	43,120,000	22,880,000	198,000,000	67.08%	81.23%
Amaranta	5,880,000	3,120,000	27,000,000	9.15%	11.08%
New Offer Shares / free float	29,268,292	78,268,292	-	23.77%	7.70%
Total	**78,268,292**	**104,268,292**	**225,000,000**	**100.00%**	**100.00%**

	Full Over-Allotment Option Exercise				
	Number of Offer Shares Sold	Number of Ordinary Shares post-Settlement	Number of Multiple Voting Shares post-Settlement	% of Shares post-Settlement	% of voting rights (applying the Voting Limitation)
Merloni Holding	52,800,000	13,200,000	198,000,000	64.14%	80.36%
Amaranta	7,200,000	1,800,000	27,000,000	8.75%	10.96%
New Offer Shares / free float	29,268,292	89,268,292	-	27.11%	8.69%
Total	**89,268,292**	**104,268,292**	**225,000,000**	**100.00%**	**100.00%**

Top of the Offer Price Range

	No Over-Allotment Option Exercise				
	Number of Offer Shares Sold	Number of Ordinary Shares post-Settlement	Number of Multiple Voting Shares post-Settlement	% of Shares post-Settlement	% of voting rights (applying the Voting Limitation)
Merloni Holding	43,120,000	22,880,000	198,000,000	67.96%	81.31%
Amaranta	5,880,000	3,120,000	27,000,000	9.27%	11.09%
New Offer Shares / free float	25,000,000	74,000,000	-	22.77%	7.60%
Total	**74,000,000**	**100,000,000**	**225,000,000**	**100.00%**	**100.00%**

Full Over-Allotment Option Exercise					
	Number of Offer Shares Sold	**Number of Ordinary Shares post-Settlement**	**Number of Multiple Voting Shares post-Settlement**	**% of Shares post-Settlement**	**% of voting rights (applying the Voting Limitation)**
Merloni Holding	52,800,000	13,200,000	198,000,000	64.98%	80.41%
Amaranta	7,200,000	1,800,000	27,000,000	8.86%	10.96%
New Offer Shares / free float	25,000,000	85,000,000	-	26.15%	8.63%
Total	**85,000,000**	**100,000,000**	**225,000,000**	**100.00%**	**100.00%**

The Offer Shares excluding the Over-Allotment Shares constitute 23.77% of the Shares (assuming the Offer Price is set at the bottom of the Offer Price Range). Assuming the Over-Allotment Option is exercised in full, the Offer Shares and the Over-Allotment Shares will constitute 27.11% of the Shares (assuming the Offer Price is set at the bottom of the Offer Price Range).

On the Settlement Date, the Selling Shareholders will hold 100% of the Multiple Voting Shares and they will be able to exercise 91.34% of the voting rights in respect of the Shares (assuming the Offer Price is set at the mid-point of the Offer Price Range, full exercise of the Over-Allotment Option and application of the Voting Limitation).

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company. The rights and obligations of shareholders, including minority shareholders, are governed by applicable laws and regulations. See, for example, "*Description of Share Capital and Corporate Structure—Obligations of shareholders to make a public offer*".

Controlling shareholders

On the Settlement Date, Merloni Holding will continue to be the Company's largest shareholder and will hold up to approximately 64.59% of the Company's issued and outstanding Shares and will be able to exercise 80.38% of the aggregate voting rights (assuming the Offer Price is set at the mid-point of the Offer Price Range, full exercise of the Over-Allotment Option and application of the Voting Limitation). Amaranta will, immediately after Settlement, hold up to approximately 8.81% of the Company's issued and outstanding Shares and will be able to exercise 10.96% of the aggregate voting rights (assuming the Offer Price is set at the mid-point of the Offer Price Range, full exercise of the Over-Allotment Option and application of the Voting Limitation).

For the foreseeable future, as a result of the dual-class share structure and the concentration of ownership, Merloni Holding will continue to be able to control or substantially influence matters requiring approval by the General Meeting, including the appointment and dismissal of members of the Board, Directors' remuneration, dividend distributions, the amendment of the Company's articles of association, capital increases, mergers and consolidations, even where Merloni Holding holds less than 50% of the Ordinary Shares.

Merloni Holding is controlled by Paolo Merloni, who is the Executive Chair of the Company, and Amaranta 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.

Business address Selling Shareholders

The Selling Shareholders have the following business address:

- Merloni Holding: Viale Aristide Merloni 45, 60044 Fabriano, Italy; and
- Amaranta: Piazza della Repubblica 28, 20124 Milan, Italy.

Related party transactions

The Company acknowledges the importance of ensuring that related party transactions shall be at arm's length terms and shall be dealt with in accordance with the applicable legal framework.

In the course of its ordinary business activities, the companies of the Group entered into agreements with other companies of Merloni Holding's group (excluding the Group). Such agreements mainly relate to rental and maintenance services for renewable energy systems and some administrative and personnel intra-group services. The Selling Shareholders are also part of the Italian Tax consolidation regime with the main Italian companies within the Group.

In particular, during the last three years and up to the date of this Prospectus, the following material related party transactions took place:

- in July 2021 the Company purchased from Janus Immobili per l'Industria S.r.l. (a company controlled by the Merloni Family) the plant located in Borgo Tufico, previously used under a lease agreement dating back to 2006. The Borgo Tufico

plant is the central warehouse of Ariston Thermo S.p.A.'s industrial business, so that the acquisition was justified by strong business reason from an industrial and financial standpoint (allowing the cancellation of the lease agreement and thus benefiting profitability). The transaction has been duly authorised by the Board. The purchase price was determined by a third party independent expert and equal to €7 million. The Group believes that the agreement contains terms and conditions at arm's length;

- in June 2019 a sponsorship agreement was entered into between Grand Soleille S.r.l. (a company indirectly controlled by Maria Francesca Merloni) and the Company for the sponsorship of Ariston Trademark during an international event organised by Grand Soleille S.r.l. hosting UNESCO in the city of Fabriano, Italy. The total value of the sponsorship agreement was equal to €100,000. The Group believes that the sponsorship agreement contains terms and conditions at arm's length terms;
- in September 2018 the Company purchased from Novapower S.r.L. (a company totally indirectly owned by Merloni Holding) the whole equity share of Novapower R1. The acquisition was consummated in the context of the reorganisation of the Group due to strategic, industrial and business reasons. The transaction has been duly authorised by the Board. The purchase price was determined by third party independent expert and equal to €2,760,233. The Group believes that the agreement contains terms and conditions at arm's length.

The Group believes that all transactions with subsidiaries and with companies of Merloni Holding's group (excluding the Group) are negotiated and executed on an arm's length basis and that the terms of these transactions are comparable to those contracted with unrelated third-party suppliers and service providers. Please refer to "Other Information" section of the audited consolidated financial statements as at and for the year ended 31 December 2020 for further information on the related party transactions consummated by the Group and see "*Description of Share Capital and Corporate Structure—Related party transactions regime*" for further information on the Dutch related party transactions regime. Other than as set out above, the Group has not entered into material related party transactions, including with close family members of the Company's related parties, during the years ended 31 December 2020, 2019 and 2018 and up to the date of this Prospectus.

In addition, in the course of its ordinary business activities, companies of the Group regularly enter into agreements with other companies within the Group. The agreements between companies of the Group mainly relate to the rendering of intra-group services, such as the provision of support services, in among others, the areas of accounting, internal audit and risk, legal, company secretarial, data privacy, share scheme administration, human resources, tax, information technology, communications, software and treasury. The Group believes that such intra group agreements are immaterial and, in any case, are negotiated and executed on an arm's length basis.

Shareholders Agreement

The Selling Shareholders entered into a shareholders' agreement on 26 October 2021 (**Shareholders Agreement**). The Shareholders Agreement provides as follows:

- Merloni Holding shall procure that one person indicated by Amaranta is appointed as Director so long as Amaranta holds at least 7% of issued share capital of the Company;
- should Merloni Holding:
  - decide to sell a number of Multiple Voting Shares so that it loses control over the Company, then Amaranta will be entitled to tag its Multiple Voting Shares to the sale of Multiple Voting Shares held by Merloni Holding;
  - receive an offer for the entirety of the outstanding Multiple Voting Shares, then Merloni Holding will be entitled to drag the Multiple Voting Shares held by Amaranta;
- Merloni Holding shall be entitled to acquire from Amaranta 6,000,000 Multiple Voting Shares in exchange for the same amount of Ordinary Shares by virtue of a call option; and
- each Selling Shareholder shall inform the other Selling Shareholder in case it wishes to convert its Multiple Voting Shares into Ordinary Shares.

DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE

Set out below is a summary of relevant information concerning the Company's share capital and a brief summary of significant provisions of Dutch law, as in effect on the date of this Prospectus, and the Articles of Association as these will be in effect immediately prior to Settlement.

This summary does not purport to be complete and is qualified in its entirety by reference to, and should be read in conjunction with, and is qualified in its entirety by reference to, the Articles of Association and the relevant provisions of Dutch law as in force on the date of this Prospectus. The Articles of Association are available in the governing Dutch language and an unofficial English translation thereof on the Company's website (www.aristongroup.com). In the event of any discrepancy between the Dutch version of the Articles of Association and the unofficial English translation, the Dutch version prevails. See also "*Management, Employees and Corporate Governance*" for a summary of material provisions of the Articles of Association, the Board rules and Dutch law relating to the Board and the Directors.

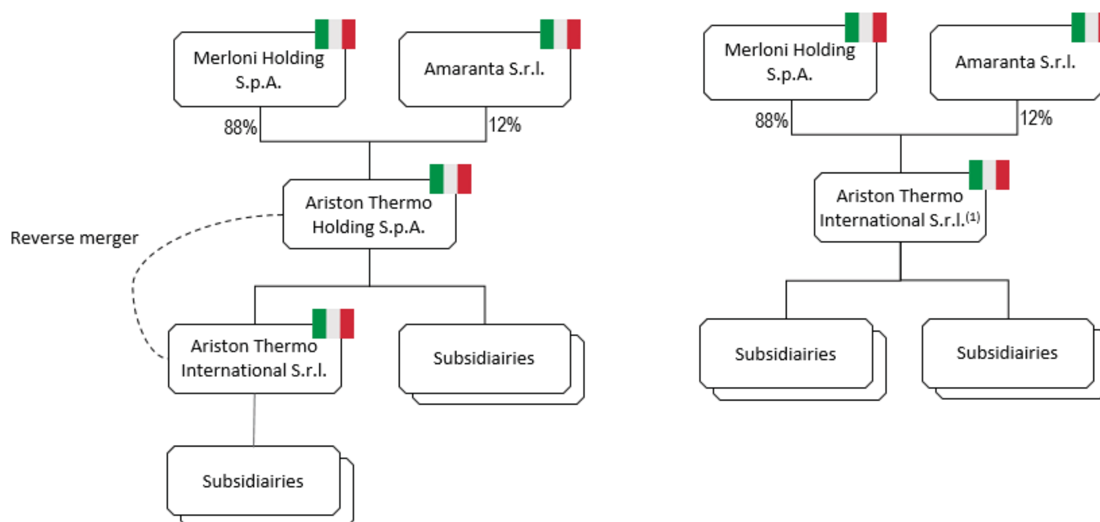
General

Incorporation

The Company is the legal successor of Ariston Thermo Holding S.p.A. (old), incorporated as a joint-stock company (*società per azioni*) under the laws of Italy on 21 July 1986 as Merloni Invest S.p.A., which merged with and incorporated Merloni Termosanitari S.p.A., the hot water division of the original Industrie Merloni, founded in 1930 by Mr Aristide Merloni.

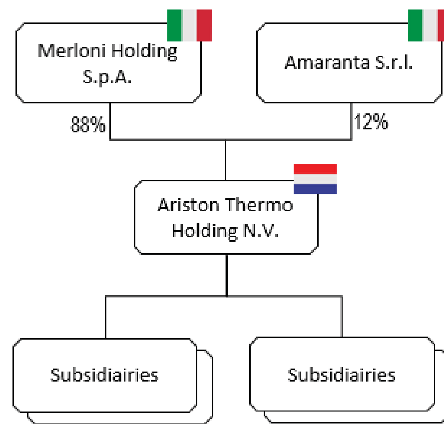
Restructuring

All shares in the capital of Ariston Thermo Holding S.p.A. (old) were held by the Selling Shareholders. In June 2021 a reverse merger took place whereby Ariston Thermo Holding S.p.A. (old) disappeared into Ariston Thermo International S.r.l. as the surviving entity. As a result of this reverse merger all direct subsidiaries of Ariston Thermo Holding S.p.A. (old) became direct subsidiaries of Ariston Thermo International S.r.l. Subsequently, Ariston Thermo International S.r.l. was renamed Ariston Thermo Holding S.p.A. (together, the **Restructuring**).



The purpose of the Restructuring was to reduce the number of holding companies, thus simplifying the Group's structure and reducing costs. Considering that many subsidiaries abroad that were formerly under Ariston Thermo International S.r.l. were located in jurisdictions that, from a tax and financial perspective, assimilate a merger to a sale and purchase, a reverse merger consented a more tax efficient reorganisation.

Immediately after the Restructuring became effective, the Company was redomiciled to the Netherlands, converted into a Dutch public company with limited liability (*naamloze vennootschap*) and share capital of 300,000,000 shares (see "— S*hares and share capital—Authorised and issued share capital*") and renamed Ariston Thermo Holding N.V. by a notarial deed executed on 10 June 2021 (the **Redomiciliation**). The Redomiciliation became effective on 15 June 2021, upon registration of the Company in the Dutch trade register. The Redomiciliation enabled the Company to create a share structure consisting out of Ordinary Shares and Multiple Voting Shares; see "— S*hares and share capital—Authorised and issued share capital*". The Multiple Voting Shares mechanism permits the Company to maintain and further strengthen a stable long-term shareholder base, believed to be more capable of supporting the long-term growth strategy of the Group through external growth opportunities, such as mergers and acquisitions. The Multiple Voting Shares mechanism ensures that the long-term shareholders of the Company maintain their voting rights and control over the Company in the event transactions are consummated by the Company which result in dilution of economic rights.



On 16 September 2021, the Company was renamed Ariston Holding N.V. by a notarial deed executed on 16 September 2021.

Amendment Articles of Association

The Company's articles of association will be amended immediately prior to Settlement pursuant to a notarial deed of amendment of the articles of association in accordance with a resolution of the General Meeting adopted on 11 November 2021. The Company's statutory seat (*statutaire zetel*) is in Amsterdam, the Netherlands and its registered office is at Via Broletto 44, 20121 Milan, Italy. The Company is registered with the Dutch trade register under number 83078738.

Corporate purpose

Pursuant to Article 3 of the Articles of Association, the objects of the Company are:

- to be the holding company of a group, active in the thermal comfort business and any directly and/or indirectly related businesses, which operates worldwide across a variety of product types, systems and platforms;
- to incorporate, to participate in any way whatsoever in, to dispose, and to finance companies or businesses;
- to operate, to manage the affairs of, and to provide advice and other services to, companies and other businesses (including the execution of agreements relating to the taking on, managing and hedging of financial risks);
- to borrow, to lend and to raise funds, including the issue of bonds, promissory notes, warrants or financial instruments and to enter into agreements in connection with aforementioned activities;
- to provide collateral for the debts and other obligations of the Company, of other companies of the Group and of third parties;
- to provide guarantees, to grant sureties and to jointly and severally bind the Company or its assets for debts and other obligations of the Company, of other companies of the Group and of third parties;
- to acquire, to operate and to dispose items of property, including registered property;
- to acquire, to operate and to dispose of industrial and intellectual property rights;
- to trade in currencies, securities and items of property in general (including the execution of agreements relating to the taking on, managing and hedging of financial risks); and
- to perform any and all activities of an industrial, financial or commercial nature, as well as to carry out all which is incidental or conducive to the above, in the broadest sense.

Shares and share capital

Authorised and issued share capital

As at the date of this Prospectus, the issued and authorised share capital of the Company comprises 75,000,000 Ordinary Shares, each with a nominal value of €0.01, and 225,000,000 Multiple Voting Shares, each with a nominal value of €0.20, and all issued Shares are subject to, and have been created under, the laws of the Netherlands and are fully paid. The consolidated net asset value (total assets minus total liabilities) per Share as at 30 September 2021, being the date of the Interim Financial Statements, and calculated using the 75,000,000 Ordinary Shares and 225,000,000 Multiple Voting Shares issued and outstanding at that time, is €1.77.

As at the Settlement Date, pursuant to the Articles of Association, the Company's authorised share capital will amount to €90,000,000, divided into 600,000,000 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.

The Ordinary Shares have been created under, and are subject to, Dutch law.

Each Ordinary Share confers a right to cast one vote at the General Meeting and each Multiple Voting Share confers the right to cast 20 votes. Pursuant to the Articles of Association, if the votes that may be cast on all Multiple Voting Shares exceed the Maximum MVS Voting Percentage, then the number of votes that may be cast on all Multiple Voting Shares will be reduced to the Maximum MVS Voting Percentage, with each holder of Multiple Voting Shares able to cast such number of votes of the Maximum MVS Voting Percentage in proportion to the aggregate number of the Multiple Voting Shares held by it. Except by virtue of the different voting rights attached to the Ordinary Shares and the Multiple Voting Shares, none of the Shareholders will have any voting rights different from any other Shareholders.

History of share capital

Set out below is an overview of the amount of the issued share capital for the years ended 31 December 2020, 2019 and 2018 of the Company's predecessor (i.e. the former holding company) Ariston Thermo Holding S.p.A. (old) ; see "*—General*".

Issued share capital

	31 December 2020	**1 January 2020**	**31 December 2019**	**1 January 2019**	**31 December 2018**	**1 January 2018**
Ordinary Shares	41,845,000	41,845,000	41,845,000	41,845,000	41,845,000	41,845,000
Multiple Voting Shares	–	–	–	–	–	–
Total	41,845,000	41,845,000	41,845,000	41,845,000	41,845,000	41,845,000

Form of Shares

All Shares are in registered form. The Company shall not issue share certificates or statements evidencing or purporting to evidence title to the Shares, which shall at all times remain in dematerialised form. See "*The Offer—Application and allocation—Allocation, payment and delivery*" in relation to the delivery of Ordinary Shares.

Shareholders' register

Pursuant to Dutch law and the Articles of Association, the Company must keep a shareholders' register. A copy of the shareholders' register may be kept at several locations, all of which shall be designated by the Board. Part of the register may be kept outside of the Netherlands in order to satisfy foreign statutory requirements or requirements set by a foreign stock exchange. In the shareholders' register, the names and addresses of other persons with meeting rights (being the right to be invited to and to attend General Meetings and to speak at such meetings and the other rights the Dutch Civil Code grants to persons holding depositary receipts (*certificaten*) for Shares issued with the cooperation of the Company, as a shareholder or as a person to whom these rights have been attributed in accordance with the Articles of Association) must also be recorded, as well as the names and addresses of usufructuaries (*vruchtgebruikers)* or pledgees (*pandhouders)* of Shares, stating whether they hold the rights attached to such Shares pursuant to Article 2:88 paragraphs 2, 3, and 4, as it relates to usufructuaries (*vruchtgebruikers),* and Article 2:89 paragraphs 2, 3, and 4, as it relates to pledgees (*pandhouders),* of the Dutch Civil Code and, if so, which rights have been conferred upon them. The shareholders' register shall also state, with regard to each shareholder, pledgee, or usufructuary, the date on which they acquired the Shares, their right of pledge or usufruct, as well as the date of acknowledgement thereof.

If requested, the Board will provide a shareholder, usufructuary or pledgee with an extract from the shareholders' register relating to its title to Shares free of charge. If the Shares are encumbered with a right of usufruct, the extract will state who is entitled to exercise the voting rights attached to the Shares and whether the usufructuary holds meeting rights.

If Ordinary Shares form part of the book-entry system of Monte Titoli, the name and address of Monte Titoli shall be entered in the shareholders' register, stating the date on which those Ordinary Shares became part of the book-entry system, the date of acknowledgement by or giving of notice to the Company, as well as the paid-up amount on each Ordinary Share.

A person who is entitled to, and wishes to, inspect the shareholders' register of dematerialised Shares may do so only through the Company and in accordance with Dutch law.

Issue of Shares

The Board will be the competent body to issue Shares for a period of five years from the Settlement Date. 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 both Ordinary Shares and Multiple Voting Shares or the granting of rights to subscribe for 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 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 his Shares (relative to the entire issued share capital), subject to the relevant limitations prescribed by 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 (relative to the entire issued share capital), subject to the relevant limitations prescribed by 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 the Settlement Date. 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 Company's issued capital 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 MVS Shareholders granted by resolution adopted with more than 50% of the votes in the meeting of MVS Shareholders.

Acquisition of own Shares

Subject to statutory conditions having been met, the Board is authorised to resolve that the Company shall acquire its own fully paid-up Shares either gratuitously (*om niet*), under universal succession of title or if: (i) the Company's equity, less the payment required to make the acquisition, does not fall below the sum of called-up and paid-in share capital and any statutory reserves; (ii) the aggregate nominal value of the Shares which the Company acquires, holds or holds as pledge or which are held by a subsidiary does not exceed 50% of the issued share capital; and (iii) the Board has been authorised by the General Meeting to acquire Shares.

The Company may, without authorisation by the General Meeting, acquire its own Shares for the purpose of transferring such Shares to employees of the Company or of a Group company under a scheme applicable to such employees, provided such Shares are quoted on the price list of a stock exchange.

The General Meeting's authorisation is valid for a maximum of 18 months. If a financial year will have lapsed for more than six months without the annual accounts having been adopted, no acquisition of own Shares will be permitted. As part of the authorisation, the General Meeting must determine the number of Shares that may be acquired, the manner in which the Shares may be acquired and the limits within which the price must be set.

Pursuant to a resolution adopted by the General Meeting, the Board has been granted the authority for a period of 18 months following the Settlement Date, to resolve that the Company shall acquire its own Shares, up to a maximum of 10% of the Shares issued immediately following Settlement, provided that the Company will hold no more Shares in treasury than at maximum 50% of the issued share capital, either through purchase on a stock exchange or otherwise, at a price, excluding expenses, not lower than the nominal value of the Shares and not higher than an amount equal to 10% above the average closing price over a period of five days preceding the day of the agreement of acquisition of the Shares. Certain aspects of taxation of the acquisition by the Company of its Shares are described in "*Taxation—Taxation in the Netherlands*".

The Company may not cast votes on Shares held by it or by its subsidiaries nor will such Shares be counted for the purpose of calculating a voting quorum. Votes may be cast on Shares held by the Company if the Shares are encumbered with a right of usufruct or a right of pledge that benefits a party other than the Company or its subsidiaries, the voting right attached to those Shares accrues to another party and the right of usufruct or a right of pledge was established by a party other than the Company or a subsidiary before the Shares belonged to the Company or its subsidiaries. No dividend shall be paid on the Shares held by the Company in its own capital unless such Shares are subject to a right of usufruct or pledge and the authority to collect distributions or the right to receive distributions, respectively, accrues to the usufructuary or the pledgee, respectively. For the purpose of determining the profit distribution, the Shares held by the Company in its own capital shall not be included. The Board is authorised to dispose of the Company's own Shares held by it.

Reduction of share capital

Subject to the provisions of Dutch law and the Articles of Association, the General Meeting may, in compliance with Article 2:99 and 2:100 of the Dutch Civil Code, adopt resolutions to reduce the issued share capital by (i) cancelling Shares or (ii) reducing the nominal value of the Shares by amendment of the Articles of Association. A resolution to cancel Ordinary Shares may only relate to (i) Shares held by the Company or of which the Company holds the depositary receipts, or to (ii) all Multiple Voting Shares with repayment.

A reduction of the nominal value of Shares must be made through a *pro rata* reduction of the nominal amount of all Shares. This *pro rata* requirement may be deviated from with the consent of the shareholders concerned. If a capital reduction prejudices the holders of one or more classes of Shares, then a resolution to reduce the Company's issued capital requires the approval by

each group of holders of Shares of the same class whose rights are prejudiced by the capital reduction, which resolution requires a majority of at least two-thirds of the votes cast if less than 50% of the issued Shares of such class is represented at that meeting. A resolution of the General Meeting to reduce the share capital requires a majority of at least two-thirds of the votes validly cast if less than 50% of the issued share capital is represented at the General Meeting. If 50% or more of the issued share capital is represented at the General Meeting, then the resolution of the General Meeting requires an absolute majority of the votes validly cast.

In addition, Dutch law contains detailed provisions regarding the reduction of capital. A resolution to reduce the issued share capital shall not take effect as long as creditors have legal recourse against the resolution.

Transfer of Shares

A transfer of a Share (not being, for the avoidance of doubt, an Ordinary Share held through the book-entry system of Monte Titoli) or of a restricted right (*beperkt recht*) thereto requires a deed of transfer drawn up for that purpose and acknowledgement of the transfer by the Company in writing. The latter condition is not required if the Company is party to the transfer.

If a registered Ordinary Share is transferred for inclusion in a book-entry system, the transfer will require the acceptance of the Shares into the book-entry system pursuant to the provisions of the regulation applicable to the book-entry system managed by Monte Titoli. Deposit shareholders are not recorded in the shareholders' register of the Company. The transfer of Ordinary Shares from a book entry system is subject to the provisions of the regulations applicable to the book-entry system and subject to approval of the Board.

If a holder of Multiple Voting Shares intends to transfer Multiple Voting Shares to a third party, it shall first offer the Multiple Voting Shares to the other holders of Multiple Voting Shares who shall have the right to exercise a right of first refusal regarding the Multiple Voting Shares, in accordance with the procedure outlined in the Articles of Association. If none of the other holders of Multiple Voting Shares wishes to exercise the right of first refusal, the transferring holder of Multiple Voting Shares may transfer the Multiple Voting Shares on offer for a period of three months to a third party, provided that if the transferring holder of Multiple Voting Shares wishes to transfer the Multiple Voting Shares at a lower price and/or under more favourable offer terms than those for which the other holders of Multiple Voting Shares could acquire the Multiple Voting Shares, the other holders of Multiple Voting Shares shall have once again the right to exercise the right of first refusal.

Holders of Multiple Voting Shares shall be obligated to offer their Multiple Voting Shares to the other holders of Multiple Voting Shares under specific circumstances, for example the bankruptcy of such holder or a transaction that results in a change of control of such holder.

Material aspects of taxation relating to a reduction of share capital are described in "*Taxation—Taxation in the Netherlands*" and "*Taxation—Taxation in Italy*".

Dividend distributions

General

The Company may only make distributions, whether a distribution of profits or of freely distributable reserves, to its shareholders insofar as the Company's shareholders' equity, reduced by the amount of the distribution, exceeds the amount of the paid-up and called-up part of the issued capital plus the reserves as required to be maintained by the Articles of Association and Dutch law. The dividend pay-out can be summarised as follows.

Annual profit distribution

A distribution of profits other than an interim distribution is only allowed after the adoption of the Company's annual accounts, and the information in the annual accounts will determine that the distribution of profits is legally permitted for the respective financial year.

Statutory reserve
The Company keeps a statutory conversion reserve for the purpose of the full payment of the purchase price of Multiple Voting Shares that have been converted into Ordinary Shares and are offered to the Company for repurchase (**Buyback Shares**).

Right to reserve

The Board may decide that the profits realised during a financial year are fully or partially appropriated to increase or form reserves. The profits remaining after being allocated to the reserves shall be put at the disposal of the General Meeting. The Board shall make the proposal for that purpose. Furthermore, the Board may decide that distributions to the shareholders shall be at the expense of reserves.

Interim distribution

Subject to Dutch law and the Articles of Association, the Board may resolve to make an interim distribution of profits provided that it appears from an interim statement of assets and liabilities signed by the Board that following the distribution the Company's equity does not fall below the sum of called-up and paid-up share capital and any reserves as required to be maintained by the Articles of Association and by Dutch law.

Distribution in kind

The Board may decide that a distribution on Shares be made not in cash but in Ordinary Shares or decide that shareholders shall have the option to receive a distribution as a cash payment and/or as a payment in Ordinary Shares, provided that the Board is authorised to issue Shares and exclude pre-emptive rights. The Board shall determine the conditions applicable to the aforementioned choices.

Profit ranking of the Ordinary Shares

Each issued and outstanding Share will rank equally and will have equal rights and obligations with respect to all matters, unless stated otherwise in the Articles of Association. Each Share issued and outstanding on the day following the Settlement Date will rank equally with, and will be eligible for any dividends that may be declared on, Shares, and will be equally entitled to the profits and (other) reserves of the Company, except for the entitlement to the Conversion Reserve and the liquidation distribution. All profit distributions and repayment of capital will be made in such a way that on each Share the same amount or value is distributed (with the exception of the purchase price for the Buyback Shares).

The liquidation balance remaining after payment of the debts will be paid as follows, insofar as possible:

- firstly, the amounts actually paid-in (nominal and share premium) on Ordinary Shares are transferred to the holders of Ordinary Shares;
- secondly, the nominal amount paid-in on Multiple Voting Shares is transferred to the holders of the Multiple Voting Shares; and
- the remaining balance is transferred to the holders of Ordinary Shares in proportion to the aggregate number of the Ordinary Shares held by each of them.

Payment

A distribution on Shares can take place as a cash payment and/or as a payment in Ordinary Shares.

Payment of any distribution on Shares to shareholders in cash will, in principle, be made in euro. The Company will, however, have the authority to make distributions in a currency other than euro. The party entitled to dividends and other payments on a Share will be the party in whose name the Share will have been registered at the date to be fixed by the Board.

Any distribution on Ordinary Shares that is paid to shareholders through Monte Titoli will be automatically credited to the relevant shareholders' accounts, without the need for the shareholders to present documentation providing their ownership of the Ordinary Shares. Payment of distributions on the Ordinary Shares not held through Monte Titoli and Multiple Voting Shares will be made directly to the relevant shareholder using the information contained in the shareholders' register.

There are no restrictions in relation to the payment of distributions under Dutch law in respect of shareholders who are non-residents of the Netherlands. See "*Taxation—Taxation in the Netherlands*" and "*Taxation—Taxation in Italy*" for a discussion of the material aspects of taxation of dividends.

Payments of distributions are announced in a notice by the Company. Any notifications relating to payments as well as those relating to dates and places will be announced in such manner as deemed appropriate by the Board. Different payment release dates may be set for the Ordinary Shares and the Multiple Voting Shares. A shareholder's claim to payments of distributions lapses five years after the day on which the distribution became payable.

Exchange controls

Under Dutch law, subject to the 1977 Sanction Act (*Sanctiewet 1977*) or otherwise by international sanctions, there are no exchange control restrictions on investments in, or payments on, Shares provided that the payment in a foreign currency for any Shares issued, or to be issued, by the Company will only result in the performance of the obligation to pay up the Shares, to the extent that the Company consents to payment in such foreign currency, the paid-up sum can be converted (exchanged) freely into euro and is equal to at least the euro nominal value of such Shares.

There are no special restrictions in the Articles of Association or Dutch law that limit the right of the shareholders who are not citizens or residents of the Netherlands to hold or vote Shares.

Meetings of shareholders and voting rights

General Meetings

According to the Articles of Association, General Meetings must be held in Amsterdam, Rotterdam, The Hague, or Haarlemmermeer (including Schiphol Airport), at the choice of those who call the meeting and must at least be held 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.

The annual General Meeting must be held within six months after the close of each financial year. Extraordinary General Meetings will be held as often as the Board considers such to be necessary. In addition, shareholders representing alone or in aggregate at least one-tenth of the issued and outstanding share capital may, pursuant to the Dutch Civil Code, 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.

The convocation of the General Meeting must be published through an announcement by electronic means. 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 must include such items as have been included therein by the Board or the shareholders (with due observance of Dutch law as described below). 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 Chair 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). 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 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.

The General Meeting is chaired by the Executive Chair. If the Executive Chair wishes another person to chair the General Meeting, or if he is absent from the General Meeting, the General Meeting shall be chaired by the Lead Non-Executive Director. The chair of the General Meeting must ensure that the General Meeting proceeds in an orderly and efficient manner and a meaningful discussion at the General Meeting is promoted. The Directors will have the right to attend the General Meeting in person and to address the meeting. The Directors will have the right to provide their advice in the meeting. The external auditor of the Company is also authorised to attend and address the General Meeting. The chair of the General Meeting may decide upon the admittance to the meeting of other persons to the General Meeting. Another language than Dutch or English may be used in the General Meeting if so decided by the chair of the General Meeting.

Each shareholder and each other person holding meeting rights is authorised to attend, to speak at, and to the extent applicable, to exercise his voting rights in the General Meeting, either in person or by proxy. Shareholders may exercise these rights, if they are the holders of Shares on the registration date, being the 28th day before the day of the General Meeting. A person holding meeting rights or his proxy holder will only be admitted to the meeting if he has notified the Company of his intention to attend the meeting in writing at the address and by the date specified in the notice of the meeting.

The Board may decide that persons entitled to attend and vote at General Meetings may, or to the extent allowed under Dutch law must, cast their vote electronically or by post in a manner to be decided by the Board. Votes validly cast electronically or by post rank as equal to votes validly cast at the General Meeting.

Voting rights

At General Meetings, each 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, if the votes that may be cast on all Multiple Voting Shares exceed the Maximum MVS Voting Percentage, then the number of votes that may be cast on all Multiple Voting Shares will be reduced to the Maximum MVS Voting Percentage, with each holder of Multiple Voting Shares able to cast such number of votes of the Maximum MVS Voting Percentage in proportion to the aggregate number of the Multiple Voting Shares held by it. Except by virtue of the different voting rights attached to the Ordinary Shares and the Multiple Voting Shares, none of the Shareholders will have any voting rights different from any other Shareholders.

Pursuant to Dutch law, no votes may be cast at a General Meeting in respect of Shares which are held by the Company, unless: (i) the Shares are encumbered with a right of usufruct or a right of pledge that benefits a party other than the Company or a subsidiary of the Company, (ii) the voting rights attached to those Shares accrue to such other party; and (iii) the right of usufruct or the right of pledge was established by a party other than the Company, or a subsidiary of the Company before the Shares belonged to the Company or such subsidiary of 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

Rights and/or the rights and/or obligations of the (meeting of) MVS Shareholders is subject to the prior approval of the meeting of MVS Shareholders.

Meetings of holders of a particular class of Shares will be held if the Board calls such meetings. In a class meeting, every Share entitles its holder to cast one vote. All resolutions of a class meeting will be adopted by an absolute majority of the votes cast on Shares of the relevant class, without a quorum being required.

Amendment of Articles of Association

The General Meeting may pass a resolution to amend the Articles of Association, but only on a proposal of the Board that has been stated in the notice of the General Meeting. A resolution by the General Meeting to amend the Articles of Association requires an absolute majority of the votes cast.

In the event of a proposal to the General Meeting to amend the Articles of Association, a copy of such proposal containing the verbatim text of the proposed amendment will be deposited at the Company's office, for inspection by shareholders and other persons holding meeting rights, until the end of the meeting. Furthermore, a copy of the proposal will be made available free of charge to shareholders and other persons with meeting rights from the day it was deposited until the day of the meeting.

The prior approval of the meeting of the holders of the Multiple Voting Shares is required for an amendment of a provision relating to the Multiple Voting Shares and/or the rights and/or obligations of the (meeting of) MVS Shareholders.

Dissolution and liquidation

The General Meeting may pass a resolution to dissolve the Company, but only on a proposal of the Board that has been stated in the notice of the General Meeting. A resolution by the General Meeting to dissolve the Company requires an absolute majority of the votes cast.

If the Company is dissolved, the liquidation shall be handled with due observance of the statutory provisions and shall be carried out by the Board, unless the General Meeting resolves otherwise. During the Company's liquidation, the Articles of Association shall remain in force to the extent possible.

The balance of the dissolved Company's assets remaining after all liabilities have been paid shall, if possible, first be applied for the payment to any holders of Ordinary Shares of the part of the nominal value and share premium paid on their Ordinary Shares. Secondly, the nominal value paid on Multiple Voting Shares shall be transferred to the holders of the Multiple Voting Shares. Any remaining balance shall be transferred to the holders of Ordinary Shares in proportion to the aggregate number of the Ordinary Shares held by each of them.

After the close of the liquidation, the accounting records, documents and other data carriers of the Company will be held by the person designated for that purpose by the General Meeting for the period prescribed by law (which as of the date of this Prospectus is seven years). Material tax aspects of liquidation proceeds are described in "*Taxation*".

Transparency Directive

The Netherlands will be the Company's home Member State for the purposes of Directive 2004/109/EC (as amended by Directive 2013/50/EU), as a consequence of which the Company will be subject to the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the **Dutch FSA**) in respect of certain ongoing transparency and disclosure obligations.

Annual and interim financial statements

Annually, within four months after the end of the financial year, the Board shall prepare the annual financial statements and make them available for inspection by the shareholders at the office of the Company and on its website and file the annual financial statements with the AFM. The annual financial statements shall comprise of the audited financial statements, a director's report, a responsibility statement, accompanied by an independent auditor's report and certain other information required under Dutch law. The financial statements shall be signed by all Directors. If one or more of their signatures are missing, that fact shall be stated, together with the reasons for the omission. The financial statements must be adopted by the General Meeting. The Board shall submit the financial statements for adoption by the General Meeting.

The annual financial statements must be made available to the shareholders for review as from the day of the notice convening the annual General Meeting. The Board must send the adopted financial statements to the AFM within five days following adoption.

After the proposal to adopt the financial statements has been discussed, a proposal shall be made to the General Meeting, in connection with the financial statements and the statements made regarding them at the General Meeting, to discharge the Directors for their duties performed in the last financial year.

Within three months after the end of the first six months of each financial year, the Board must prepare interim financial statements, make them publicly available and file them with the AFM. If the interim financial statements are audited or reviewed, the independent auditor's (review) report must be made publicly available together with the interim financial statements. If the interim financial statements are unaudited or unreviewed, the interim director's report should state so.

Dutch Financial Reporting Supervision Act

On the basis of the Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*, the **Dutch FRSA**), the AFM supervises the application of financial reporting standards by, among others, companies whose corporate seat is in the Netherlands and whose securities are listed on a foreign stock exchange, such as the Company.

Pursuant to the Dutch FRSA, the AFM has an independent right to (i) request an explanation from the Company regarding its application of the applicable financial reporting standards and (ii) recommend the Company to make available further explanations on (a) the elements of the financial reporting that do not comply with the applicable financial reporting standards and the consequences thereof for the financial reporting or (b) how these applicable financial reporting standards will be met in the future and the consequences thereof for the financial reporting. If the Company does not comply with such a request or recommendation, the AFM may request the Dutch Enterprise Chamber of the Amsterdam Court of Appeals (*Ondernemingskamer van het Gerechtshof te Amsterdam*, the **Enterprise Chamber**) to order the Company to (i) make available further explanations on the subjects set out under (ii)(a) and (ii)(b) above (as recommended by the AFM), (ii) provide an explanation of the way it has applied the applicable financial reporting standards to its financial reports or (iii) prepare its financial reports in accordance with the Enterprise Chamber's instructions.

Anti-takeover measures

Under Dutch law, various protective measures are possible and permissible within the boundaries set by Dutch law and Dutch case law. Dutch law does not contain anti-takeover measures that are applicable by operation of law. The Company's share structure consists of Ordinary Shares and Multiple Voting Shares. Each Ordinary Share confers a right to cast one vote at the General Meeting and each Multiple Voting Share confers the right to cast twenty votes, such that the maximum number of voting rights to be cast by a shareholder will be the greater of (a) two times the total number of Ordinary Shares issued and outstanding at the record date of a General Meeting and (b) nine times the total number of 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 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. This dual-share class structure and the binding nomination structure for the appointment of Directors may be perceived as an anti-takeover provision. Other than this, the Company has not incorporated any anti-takeover measures in the Articles of Association.

Dutch cooling-off period in face of shareholder activism or hostile take-over

On 1 May 2021, new legislation entered into force which introduced a statutory cooling-off period of up to 250 days during which the General Meeting would not be able to dismiss, suspend or appoint members of the Board (or amend the provisions in the Articles of Association dealing with those matters) unless those matters are proposed by the Board. This cooling-off period could be invoked by the Board in case:

(a) shareholders, using either their shareholder proposal right or their right to request the General Meeting, propose an agenda item for the General Meeting to dismiss, suspend or appoint a member of the Board (or to amend any provision in the Articles of Association dealing with those matters); or

(b) a public offer for the Company is made or announced without the Company's support, provided, in each case, that the Board believes that such proposal or offer materially conflicts with the interests of the Company and its business.

The cooling-off period, if invoked, ends upon the occurrence of the earlier of:

(a) the expiration of 250 days from (i) in case of shareholders using their shareholder proposal right, the day after the expiry of the deadline for making such proposal; (ii) in case of shareholders using their right to request a General Meeting, the day when they obtain court authorisation to do so; or (iii) in case of a hostile offer being made, the first day thereafter;

(b) the day after the hostile offer has been declared unconditional; or

(c) the Board voluntarily terminating the cooling-off period.

In addition, shareholders representing at least 3% of the Company's issued share capital may request the Enterprise Chamber for early termination of the cooling-off period. The Enterprise Chamber must rule in favour of the request if the shareholders can demonstrate that:

(a) the Board, in light of the circumstances at hand when the cooling-off period was invoked, could not reasonably have come to the conclusion that the relevant shareholder proposal or hostile offer constituted a material conflict with the interests of the Company and its business;

(b) the Board cannot reasonably believe that a continuation of the cooling-off period would contribute to careful policy-making;

(c) if other defensive measures have been activated during the cooling-off period and not terminated or suspended at the relevant shareholders' request within a reasonable period following the request (i.e., no 'stacking' of defensive measures).

During the cooling-off period, if invoked, the Board must gather all relevant information necessary for a careful decision-making process. In this context, the Board must at least consult with shareholders representing at least 3% of the Company's issued share capital at the time the cooling-off period was invoked and with the Group's works council. Formal statements expressed by these stakeholders during such consultations must be published on the Company's website to the extent these stakeholders have approved that publication.

Ultimately one week following the last day of the cooling-off period, the Board must publish a report in respect of its policy and conduct of affairs during the cooling-off period on the Company's website. This report must remain available for inspection by shareholders and others with meeting rights under Dutch law at the Company's office and must be tabled for discussion at the next General Meeting.

Obligations of shareholders to make a public offer

In accordance with Directive 2004/25/EC (the **Takeover Directive**), each Member State should ensure the protection of minority shareholders by obliging any person that acquires control of a company to make an offer to all the holders of that company's voting securities for all their holdings at an equitable price.

The Takeover Directive applies to all companies governed by the laws of a Member State of which all or some voting securities are admitted to trading on a regulated market in one or more Member States. According to the Takeover Directive, the laws of the Member State in which a company has its registered office will apply to matters relating to the information to be provided to the employees of the offeree company and in matters relating to company law, in particular the percentage of voting rights that is regarded as conferring control over that company and any derogation from the obligation to launch a bid, as well as the conditions under which the board of the offeree company may undertake any action which might result in the frustration of the bid. Matters relating to the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules of the Member State of the competent authority, which, in the case of a company whose securities are not admitted to trading on a regulated market in the Member State in which the company has its registered office, shall be the authority designated by the Member State on the regulated market of which the company's securities are admitted to trading.

The rules under the Dutch FSA regarding mandatory public offers (particularly those relating to the percentage of voting rights that is regarded as conferring control over the Company) apply to the Company because it has its official seat in the Netherlands. In accordance with Article 5:70 of the Dutch FSA, any person – whether acting alone or in concert with others – who, directly or indirectly, acquires a controlling interest in the Company will be obliged to launch a mandatory public offer for all outstanding Shares. A controlling interest is deemed to exist if a (legal) person is able to exercise, alone or acting in concert, at least 30% of the voting rights in the General Meeting. An exception is made for, amongst others, shareholders who - whether alone or acting in concert with others - (i) have an interest of at least 30% of the Company's voting rights before Shares are first admitted to trading on Euronext Milan and who still have such an interest after such first admittance to trading, and (ii) reduce their holding to below 30% of the voting rights within 30 days of the acquisition of the controlling interest provided that (a) the reduction of their holding was not effected by a transfer of Shares to an exempted party and (b) during such period such shareholders or group of shareholders did not exercise their voting rights.

The Dutch Decree on public offers (*Besluit openbare biedingen Wft*) will also apply to the Company, but only in relation to matters relating to information to be provided to trade unions and employees and company law matters, including the convocation of a General Meeting in the event of a public offer and a position statement by the Board.

In case of a mandatory public offer for Shares, matters related to the bid price and the bid procedure, including the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, will be governed by Italian law, more specifically by the by Articles 101-*bis* and ff. of the Consolidated Financial Act, as amended. The mandatory public offer document, having the content set forth under the Italian law, shall be approved by Consob, as Italian designated authority responsible for the supervision on the conduct of bid procedure pursuant to Articles 101-*bis* and ff. of the Consolidated Financial Act.

Squeeze-out proceedings

Pursuant to Article 2:92a of the Dutch Civil Code, a shareholder who, whether acting alone or together with group companies, for its own account holds at least 95% of the issued share capital of a public company with limited liability (*naamloze vennootschap*) under the laws of the Netherlands for its own account, alone or together with a group of companies, may institute proceedings against such company's minority shareholders jointly for the transfer of their shares to such shareholder. The proceedings are held before the Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares must give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him. Unless the addresses of all of them are known to it, it is required to publish the same in a Dutch daily newspaper with nationwide circulation.

The offeror under a public offer is also entitled to start squeeze-out proceedings if, following the public offer, the offeror, alone or together with group companies, holds at least 95% of the outstanding share capital and represents at least 95% of the total voting rights. The claim of a takeover squeeze-out needs to be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer. The Enterprise Chamber may grant the claim for squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. In principle, the offer price is considered reasonable if the offer was a mandatory offer or if at least 90% of the shares to which the offer related were received by way of voluntary offer.

The Dutch takeover provisions of the Dutch FSA also entitles those minority shareholders that have not previously tendered their shares under an offer the right to institute proceedings with the Enterprise Chamber for the transfer of their shares to the offeror, provided that the offeror has acquired at least 95% of the issued outstanding share capital and represents at least 95% of the total voting rights. With regard to the price, the same procedure as for takeover squeeze-out proceedings initiated by an

offeror applies. The claim also needs to be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer.

There are no other specific statutory squeeze-out proceedings at a lower level of control, however, it is not uncommon for the offeror under a public offer and the target to agree on a post-offer restructuring transaction pursuant to which the offeror may require the target to sell its assets to the offeror against payment of a consideration equal to the offering price. Such a transaction is subject to the approval of the general meeting of shareholders of the target. The remaining minority shareholders will receive their relative portion of the purchase price of this sale through a liquidation distribution in cash as part of the liquidation process of the target. Such a transaction can usually be implemented if the offeror has acquired less than 95% of the issued and outstanding share capital.

Obligations to disclose holdings

Holders of the Shares may be subject to notification obligations under the Dutch FSA. Shareholders are advised to seek professional advice on these obligations.

Shareholders

Pursuant to the Dutch FSA, any person who, directly or indirectly, acquires or disposes of an actual or potential interest in the capital or voting rights of a Dutch listed company must immediately notify the AFM through a designated portal, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person in the company reaches, exceeds or falls below any of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

A notification requirement also applies if a person's capital interest or voting rights reaches, exceeds or falls below the abovementioned thresholds as a result of a change in the Company's total outstanding share capital or voting rights. Such notification must be made no later than the fourth trading day after the AFM has published the Company's notification of the change in its outstanding share capital.

The Company is required to notify the AFM immediately of the changes to its total share capital or voting rights if its issued share capital or voting rights changes by 1% or more since the Company's previous notification. The Company must furthermore notify the AFM within eight days after each quarter, in the event its share capital or voting rights changed by less than 1% in that relevant quarter since the Company's previous notification.

In addition, every holder of 3% or more of the Company's share capital or voting rights whose interest changes in respect of the previous notification to the AFM by reaching or crossing one of the thresholds mentioned above as a consequence of the interest being differently composed due to having acquired shares or voting rights through the exercise of a right to acquire such shares or voting rights, must notify the AFM of the changes within four trading days after the date on which the holder knows or should have known that their interest reaches or crosses a relevant threshold.

Controlled entities, within the meaning of the Dutch FSA, do not have notification obligations under the Dutch FSA, as their direct and indirect interests are attributed to their (ultimate) controlling parent. Any person may qualify as a controlling parent for purposes of the Dutch FSA, including a natural person. A person who has a 3% or larger interest in the Company's share capital or voting rights and who ceases to be a controlled entity for these purposes must immediately notify the AFM. As of that moment, all notification obligations under the Dutch FSA will become applicable to the former controlled entity.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, inter alia, be taken into account: (i) shares and voting rights directly held (or acquired or disposed of) by any person; (ii) shares and voting rights held (or acquired or disposed of) by such person's controlled entity or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement; (iii) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights against a payment; (iv) shares which such person (directly or indirectly) or third party referred to above, may acquire pursuant to any option or other right to acquire shares; (v) shares that determine the value of certain cash-settled financial instruments such as contracts for difference and total return swaps; (vi) shares that must be acquired upon exercise of a put option by a counterparty; and (vii) shares that are the subject of another contract creating an economic position similar to a direct or indirect holding in those shares.

Special attribution rules apply to shares and voting rights that are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct in respect of shares can also be subject to the reporting obligations, if such person has, or can acquire, the right to vote the shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger the reporting obligations as if the pledgee or beneficial owner were the legal holder of the shares.

For the same purpose, the following instruments qualify as *shares*: (i) shares; (ii) depositary receipts for shares (or negotiable instruments similar to such receipts); (iii) negotiable instruments for acquiring the instruments under (a) or (b) (such as convertible bonds); and (iv) options for acquiring the instruments under (a) or (b).

Notification of short positions

Each person holding a gross short position in relation to the issued share capital of a Dutch listed company that reaches, exceeds or falls below any one of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%, must immediately notify Consob through a designated portal. If a person's gross short position reaches, exceeds or falls below one of the above-mentioned thresholds as a result of a change in the Company's issued share capital, such person must make a notification not later than the fourth trading day after Consob has published the Company's notification in the public register of Consob. No set-off is permitted between a long position and a short position. Shareholders are advised to consult with their own legal advisers to determine whether the gross short selling notification obligation applies to them.

In addition, pursuant to Regulation (EU) No 236/2012 (the **Short Selling Regulation**), 0.2% of the issued share capital of a Dutch listed company is required to notify such position to Consob. Each subsequent increase of this position by 0.1% above 0.2% must also be notified. Each net short position equal to 0.5% of the issued share capital of a Dutch listed company and any subsequent increase of that position by 0.1% will be made public via Consob short selling register. To calculate whether a natural person or legal person has a net short position, their short positions and long positions must be set off. A short transaction in a share can only be contracted if a reasonable case can be made that the shares sold can actually be delivered, which requires confirmation of a third party that the shares have been located. The notification shall be made no later than 15:30 CET on the following trading day. On 27 September 2021, the European Commission published a delegated regulation amending the Short Selling Regulation to lower the notification threshold for net short positions from 0.2% to 0.1% of the issued share capital of the listed company. The delegated regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

Executive Directors, Non-Executive Directors and PDMRs

Pursuant to the Dutch FSA, each Director must notify the AFM: (i) immediately following Admission, of the number of Shares and options he/she holds and the number of votes he/she is entitled to cast in respect of the Company's issued share capital; and (ii) subsequently, of each change in the number of Shares or options he/she holds and of each change in the number of votes he/she is entitled to cast in respect of the Company's issued share capital, immediately after the relevant change. If a Director has notified a transaction to the AFM under the Dutch FSA as described under "*—Obligations to disclose holdings—Shareholders"* above, such notification is sufficient for purposes of the Dutch FSA as described in this paragraph.

Furthermore, pursuant to Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (including any relevant delegated regulations, the **Market Abuse Regulation**), which entered into force on 3 July 2016 and which is directly applicable in the Netherlands, persons discharging managerial responsibilities (each a **PDMR**) must notify the AFM and the Company by means of a standard form of any transactions conducted for their own account relating to Shares or any debt instruments of the Company or to derivatives or other financial instruments linked thereto.

PDMRs within the meaning of the Market Abuse Regulation include: (i) Executive Directors and Non-Executive Directors and (ii) members of the senior management who have regular access to inside information relating directly or indirectly to that entity and the authority to take managerial decisions affecting the future developments and business prospects of the Company.

In addition, pursuant to the Market Abuse Regulation and the regulations promulgated thereunder, certain persons who are closely associated with PDMRs, are also required to notify the AFM and the Company of any transactions conducted for their own account relating to Shares or any debt instruments of the Company or to derivatives or other financial instruments linked thereto. The Market Abuse Regulation and the regulations promulgated thereunder cover, *inter alia*, the following categories of persons: (i) the spouse or any partner considered by national law as equivalent to the spouse; (ii) dependent children; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, the managerial responsibilities of which are discharged by a PDMR or by a person referred to under (i), (ii) or (iii) above, which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interest of which is substantially equivalent to those of such a person.

These notification obligations under the Market Abuse Regulation apply when the total amount of the transactions conducted by a PDMR or a person closely associated to a PDMR reaches or exceeds the threshold of €5,000 within a calendar year (calculated without netting). The transactions carried out by a PDMR and by a closely associated person should not be aggregated. The first transaction reaching or exceeding the threshold must be notified as set out above. The notifications pursuant to the Market Abuse Regulation described above must be made to the AFM and the Company by the PDMRs and by closely associated persons no later than the third business day following the relevant transaction date. The Company must announce such transactions no later than two business days following receipt of the notification. Notwithstanding the foregoing, members of the Board need to notify the AFM of each change in the number of Shares that they hold and of each change in the number of votes they are entitled to cast in respect of the Company's issued share capital, immediately after the relevant change.

The Company is required to draw up a list of all PDMRs and persons closely associated with them and notify PDMRs of their obligations in writing. PDMRs are required to notify the persons closely associated with them of their obligations in writing.

Non-compliance

Non-compliance with the notification obligations under the Market Abuse Regulation and the Dutch FSA, set out in the paragraphs above, is an economic offence (*economisch delict*) and could lead to the imposition of criminal fines, administrative fines, imprisonment or other sanctions. The AFM may impose administrative penalties or a cease-and-desist order under penalty for non-compliance. If criminal charges are pressed, the AFM is no longer allowed to impose administrative penalties and *vice versa*, the AFM is no longer allowed to seek criminal prosecution if administrative penalties have been imposed. Furthermore, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be correctly notified. A claim requiring that such measures be imposed must be instituted by the Company and/or one or more shareholders who alone or together with others represent(s) at least 3% or the Company's issued share capital or are able to exercise at least 3% of the voting rights. The measures that the civil court may impose, include: (i) an order requiring the person violating the disclosure obligations under the Dutch FSA to make appropriate disclosure; (ii) suspension of the voting rights in respect of such person's shares for a period of up to three years as determined by the court; (iii) voiding of a resolution adopted by the General Meeting, if the court determines that the resolution would not be have adopted but for the exercise of the voting rights of the person who is obliged to notify, or suspension of a resolution until the court makes a decision about such voiding;

and (iv) an order to the person violating the disclosure obligations under the Dutch FSA to refrain, during a period of up to five years as determined by the court, from acquiring the shares and/or voting rights in the shares.

Public registry

The AFM does not issue separate public announcements of these notifications. It does, however, keep a public register of all notifications under the Dutch FSA on its website (www.afm.nl/en/professionals/registers). Third parties can request to be notified automatically by email of changes to the public register in relation to a particular company's shares or a particular notifying party.

Identity of shareholders

Dutch listed companies may, in accordance with Chapter 3A of the Dutch Securities Giro Act, request Monte Titoli, admitted institutions, intermediaries, institutions abroad, and managers of investment institutions, to provide certain information on the identity of their shareholders. No information will be given on shareholders with an interest of less than 0.5% of the issued share capital. A shareholder who, individually or together with other shareholders, holds an interest of at least 10% of the issued share capital may request the company to establish the identity of its shareholders. This request may only be made during a period of 60 days until (and not including) the 42nd day before the day on which the general meeting will be held.

Related party transactions regime

Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (the **Shareholder Rights Directive II**), establishes requirements in relation to the exercise of certain shareholder rights attached to voting shares in relation to general meetings of companies which have their registered office in a Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State. The Dutch Act to implement the Shareholder Rights Directive II (*bevordering van de langetermijnbetrokkenheid van aandeelhouders*) (the **Dutch SRD Act**) entered into force on 1 December 2019. The Dutch SRD Act, among other things, added new rules on related party transactions to the Dutch Civil Code and provided that *material transactions* with *related parties* not entered into within the ordinary course of business or not concluded on normal market terms, will need to be approved by the Board and be publicly announced at the time that the transaction is entered into. In addition, certain items in respect of any such related party transaction not concluded on normal market terms must be disclosed in the explanatory notes to the company's annual accounts. If information is required to be published at an earlier stage under the Market Abuse Regulation, that requirement prevails. The Board will be required to establish an internal procedure to periodically assess whether transactions with related parties are concluded in the ordinary course of business and on normal market terms.

Any Director or shareholder that has a direct or indirect personal interest in the transaction cannot participate in the deliberations or decision-making with respect to the related party transaction concerned. In this context: a *related party* is interpreted in accordance with IFRS (IAS 24 – Related Party Disclosures) and includes a party that has *control*, *joint control* or *significant influence* over the company or is a member of the company's key management personnel; and a transaction is considered *material* if it would constitute inside information within the meaning of the Market Abuse Regulation and is concluded between the company and a related party (which for this purpose, and in line with the Dutch Code, in any event includes one or more shareholders representing at least 10% of the issued share capital, an Executive Director or Non-Executive Director). Not all transactions with a *related party* are subject to the approval and disclosure provisions of the Dutch SRD Act (for example, transactions concluded between a company and its subsidiary).

See "*Management, Employees and Corporate Governance—Management Board—Related party transactions policy*" for further information on the Company's related party transactions policy.

EU market abuse regime

The regulatory framework on market abuse is laid down in the Market Abuse Regulation and the Market Abuse Directive (2014/57/EU), as implemented in Dutch and Italian law.

Pursuant to the Market Abuse Regulation, no natural or legal person is permitted to: (i) engage or attempt to engage in insider dealing in financial instruments listed on a regulated market or for which a listing has been requested, such as the Ordinary Shares; (ii) recommend that another person engages in insider dealing or induce another person to engage in insider dealing; or (iii) unlawfully disclose inside information relating to the Shares or the Company. Furthermore, no person may engage in or attempt to engage in market manipulation.

The Company is required to inform the public as soon as possible and in a manner that enables fast access and complete, correct and timely assessment of the information, of inside information which directly concerns the Company. Pursuant to the Market Abuse Regulation, inside information is information, of a precise nature, directly or indirectly relating to an issuer or one or more of its financial instruments, which has not yet been made public, and if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments (i.e. information a reasonable investor would be likely to use as part of the basis of his or her investment decision). An intermediate step in a protracted process can also deemed to be inside information. The Company is required to post and maintain on its website all inside information for at least five years. Under certain circumstances, the disclosure of inside information may be delayed, which needs to be notified to Consob after the disclosure has been made. Upon request of Consob, a written explanation needs to be provided setting out why a delay of the publication was considered permitted.

A PDMR is not permitted to (directly or indirectly) conduct any transactions on its own account or for the account of a third party, relating to Shares or debt instruments of the Company or other financial instruments linked thereto, during a closed period of 30 calendar days before the announcement of an interim financial report or an annual report of the Company.

Non-compliance

In accordance with the Market Abuse Regulation, the AFM has the power to take appropriate administrative sanctions, such as fines, and/or other administrative measures in relation to possible infringements. Non-compliance with the market abuse rules set out above could also constitute an economic offense (*economisch delict)* and/or a crime (*misdrijf*) and could lead to the imposition of administrative fines by the AFM. The public prosecutor could press criminal charges resulting in fines or imprisonment. If criminal charges are pressed, it is no longer allowed to impose administrative penalties and *vice versa*.

The AFM shall in principle also publish any decision imposing an administrative sanction or measure in relation to an infringement of the Market Abuse Regulation.

Insider trading

The Company has adopted a code of conduct in respect of the reporting and regulation of transactions in the Company's securities by Executive Directors, Non-Executive Directors and its employees, which will be effective as at the First Trading Date.

The Company and any person acting on its behalf or on its account is obligated to draw up an insiders' list, to promptly update the insider list and provide the insider list to the AFM upon its request. The Company and any person acting on its behalf or on its account is obligated to take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing, market manipulation and unlawful disclosure of inside information.

Disclosure and other requirements under Italian law

Summarised below are the most significant requirements to be complied with by the Company in connection with the admission to listing of Ordinary Shares on Euronext Milan. The breach of the obligations described below may result in the application of fines and criminal penalties (including, for instance, those provided for insider trading and market manipulation). Further requirements may be imposed by Consob and/or Borsa Italiana upon admission to listing of Ordinary Shares on Euronext Milan.

In particular, by virtue of the admission to listing of Ordinary Shares on Euronext Milan, the following main disclosure obligations provided for by the Consolidated Financial Act: Article 92 (equal treatment principle), Article 114 (information to be provided to the public), Article 114-*bis* (information to be provided to the market concerning the allocation of financial instruments to corporate officers, employees and collaborators), Article 115 (information to be disclosed to Consob) and Article 180 and the following (relating to insider trading and market manipulation).

Furthermore, according to Art. 113 of the Consolidated Financial Act, the Company will be subject to the powers of Consob to prevent admission or suspend trading in case of violation, or grounded suspected violation, by the Company of the Prospectus Regulation, of Art. 113 of the Consolidated Financial Act itself or of its implementing regulation as well as in case Consob considers that trading can be prejudicial to the investors. Consob is also empowered to publicly disclose that the Company is failing to comply with the obligations imposed upon it.

Finally, by virtue of the filing of the admission to trading request of Ordinary Shares on Euronext Milan, the applicable provisions set forth under the Market Abuse Regulation (including those relating to the timing for the payment of dividends) shall apply to the Company.

THE OFFER

Introduction

The Company is offering for subscription such number of New Offer Shares as will raise gross proceeds of approximately €300 million and the Selling Shareholders are offering for sale up to 49,000,000 Existing Offer Shares and up to 11,000,000 Over-Allotment Shares. Assuming no exercise of the Over-Allotment Option and the Offer Price is set at the mid-point of the Offer Price Range, the Offer Shares will constitute approximately 23.23% of the issued Shares. Assuming the Over-Allotment Option is fully exercised and the Offer Price is set at the mid-point of the Offer Price Range, the Offer Shares will constitute approximately 26.60% of the issued Shares.

The Offer consists solely of private placements to certain institutional investors in various jurisdictions, including in the Netherlands and Italy. The Offer Shares are being offered and sold within the United States, to persons reasonably believed to be QIBs as defined in Rule 144A under the U.S. Securities Act pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and outside the United States, including in the Netherlands and Italy, to institutional investors in offshore transactions in reliance upon Regulation S. There will be no public offering in any jurisdiction.

The Selling Shareholders have granted Mediobanca (in its capacity as Stabilisation Manager) on behalf of the Underwriters, the Over-Allotment Option, exercisable within a period of 30 calendar days after the First Trading Date, pursuant to which the Stabilisation Manager, on behalf of the Underwriters, may require the Selling Shareholders to offer at the Offer Price up to 11,000,000 Over-Allotment Shares, comprising up to 15% of the total number of Firm Offer Shares sold in the Offer, solely for the purpose of covering short positions resulting from any over-allotments made in connection with the Offer or stabilisation transactions, if any.

Timetable

Subject to acceleration or extension of the timetable by the Company and the Selling Shareholders, after consultation with the Joint Global Coordinators, for, or withdrawal of, the Offer, the timetable below lists the expected key dates for the Offer.

Event	Date (2021) (Time (CET))
Start of Offer Period	18 November 2021 (9:00)
End of Offer Period	24 November 2021 (12:00)
Pricing and allocation	24 November 2021
Settlement (payment and delivery) and First Trading Date on Euronext Milan	26 November 2021

The Company and the Selling Shareholders, after consultation with the Joint Global Coordinators on behalf of the Underwriters, reserve the right to accelerate or extend the Offer Period (see "*—Acceleration or extension*").

Offer Period

Subject to acceleration or extension of the timetable for the Offer, prospective institutional investors may subscribe for Offer Shares during the period commencing at 9:00 CET on 18 November 2021 until 12:00 CET on 24 November 2021. In the event of an acceleration or extension of the Offer Period, pricing, allocation, admission and first trading of the Ordinary Shares, as well as payment (in euro) for and delivery of the Offer Shares in the Offer may be advanced or extended accordingly.

If a significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the Offer Shares and which arises or is noted between the date of this Prospectus and the Settlement Date, a supplement to this Prospectus will be published in accordance with relevant provisions under the Prospectus Regulation, and the Offer Period will be extended if so required by the Prospectus Regulation. A supplement to this Prospectus shall be subject to approval by the AFM. Such a supplement will be subject to approval by the AFM in accordance with the Prospectus Regulation, and will be made public in accordance with the relevant provisions under the Prospectus Regulation. The summary shall also be supplemented, if necessary, to take into account the new information included in the supplement. See "*Important Information—Supplements*".

Acceleration or extension

The Company and the Selling Shareholders, after consultation with the Joint Global Coordinators on behalf of the Underwriters, may adjust the dates, times and periods given in the timetable and throughout this Prospectus. In such case, the Company and the Selling Shareholders will issue a press release with respect to such changes, which will also be posted on the Company's website (www.aristongroup.com). Any other material changes will be published through a press release that will also be posted on the Company's website and (if required) in a supplement to this Prospectus that is subject to the approval of the AFM.

Any extension of the timetable for the Offer will be published in a press release and posted on the Company's website (www.aristongroup.com) at least three hours before the end of the original Offer Period, for the duration of at least one full business day. Any acceleration of the timetable for the Offer will be published in a press release and posted on the Company's website at least three hours before the proposed end of the accelerated Offer Period.

Offer Price and number of Offer Shares

The Offer Price is expected to be in the range of €10.25 to €12.00 (inclusive) per Offer Share. This Offer Price may be set within, above or below the Offer Price Range. The Offer Price Range, which is an indicative price range, may be changed and/or the number of Offer Shares being offered may be increased or decreased. See "*—Change of the Offer Price Range or number of Offer Shares*" for further information on changes to the Offer Price Range or number of Offer Shares.

The Offer Price and the exact number of Offer Shares offered in the Offer will be determined by the Company and the Selling Shareholders, in agreement with the Joint Global Coordinators on behalf of the Underwriters, after the Offer Period has ended, taking into account economic and market conditions, a qualitative and quantitative assessment of demand for the Offer Shares, and other factors deemed appropriate. The Offer Price (in euro), the exact number of Firm Offer Shares to be sold in the Offer and the maximum number of Over-Allotment Shares will be set out in the Pricing Statement that will be filed with the AFM, published in a press release and posted on the Company's website.

Change of the Offer Price Range or number of Offer Shares

The Offer Price Range is indicative. The Company, the Selling Shareholders and the Underwriters reserve the right to change the Offer Price Range and/or increase or decrease the number of Offer Shares being offered prior to the allocation of the Offer Shares. Any such change in the Offer Price Range and/or the number of Offer Shares being offered will be published in a press release to be posted on the Company's website. Upon a change of the number of Offer Shares, references to Offer Shares in this Prospectus should be read as referring to the amended number of Offer Shares and references to Over-Allotment Shares should be read as referring to the amended number of Over-Allotment Shares.

Allocation, payment and delivery

Allocation

Allocation of the Offer Shares is expected to take place after the closing of the Offer Period on or around 24 November 2021, subject to acceleration or extension of the timetable for the Offer. Allotment to investors who applied to subscribe for Offer Shares will be determined by the Company and the Selling Shareholders, after consultation with the Joint Global Coordinators on behalf of the Underwriters, and full discretion will be exercised as to whether or not and how to allot the Offer Shares. There is no maximum or minimum number of Offer Shares which prospective investors may subscribe for or purchase and multiple applications to subscribe for, or purchase, Offer Shares are permitted. In the event that the Offer is over-subscribed, investors may receive fewer Offer Shares than they applied for.

The Company, the Selling Shareholders and the Joint Global Coordinators on behalf of the Underwriters may, at their own discretion and without stating the grounds therefor, reject any applications wholly or partly. Following the allocation of the Offer Shares and prior to the start of the First Trading Date, the Joint Global Coordinators (on behalf of the Underwriters) will notify institutional investors or the relevant financial intermediary of any allocation of Offer Shares made to them or their clients. Any monies received in respect of applications that are not accepted in whole or in part will be returned to the investors without interest or other compensation and at the investor's risk. Investors participating in the Offer will be deemed to have checked and confirmed that they meet the selling and transfer restrictions described in "*Selling and Transfer Restrictions*". Each investor should consult its own advisers as to the legal, tax, business, financial and related aspects of a purchase of, or a subscription for, Offer Shares.

Payment

Payment for the Offer Shares will take place on the Settlement Date. The Offer Price must be paid in full in euro and is exclusive of any taxes and expenses, if any, which must be borne by the investor (see "*Taxation*" for an overview of the material Dutch and Italian tax consequences of the acquisition of the Ordinary Shares).

Delivery

The Ordinary Shares to be traded on Euronext Milan will be registered, delivered and held as book-entry interests through Monte Titoli, as central securities depository and recorded in the accounts of Monte Titoli's participants. Monte Titoli is located at Piazza degli Affari 6, 20123 Milan, Italy.

Delivery of the Offer Shares will take place on the Settlement Date through the book-entry facilities of Monte Titoli in accordance with their normal settlement procedures applicable to equity securities and against payment for the Offer Shares in immediately available funds.

Subject to acceleration or extension of the timetable for the Offer, the Settlement Date is expected to be 26 November 2021, the same date as the First Trading Date. The closing of the Offer may not take place on the Settlement Date, or at all, if the conditions referred to in the Underwriting Agreement are not satisfied or, where possible, waived on or prior to such date. See "*Plan of Distribution—Underwriting arrangements*" for further information on the conditions to the Underwriting Agreement.

If Settlement does not take place on the Settlement Date as planned or at all, the Offer may be withdrawn, in which case all applications for Offer Shares will be disregarded, any allocations made will be deemed not to have been made and any payments made by investors for Offer Shares will be returned without interest or other compensation. None of the Company, the Selling Shareholders, the Underwriters, the Sponsor and Borsa Italiana S.p.A. accepts any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Offer.

Restrictions on the transfer of Ordinary Shares are set out in "*Selling and Transfer Restrictions*".

Listing and trading

Application has been made to admit all of the Ordinary Shares to listing and trading on Euronext Milan under the symbol "ARIS". The Ordinary Shares' ISIN is NL0015000N33.

Subject to acceleration or extension of the timetable for the Offer, trading in the Offer Shares on Euronext Milan is expected to commence on 9:00 CET on the First Trading Date. The Ordinary Shares will trade in euro on Euronext Milan.

Dilution

The issue of the New Offer Shares will result in a maximum dilution of voting interests of shareholders of the Company of 1.01% (as a result of the Voting Limitation and assuming an Offer Price at the bottom of the Offer Price Range and no exercise of the Over-Allotment Option).

Stabilisation Manager

Mediobanca is the Stabilisation Manager with respect to the Offer Shares on Euronext Milan.

Sponsor

Mediobanca is the Sponsor with respect to the admission to listing and trading of the Ordinary Shares on Euronext Milan.

Fees and expenses of the Offer

No expenses or taxes will be charged by the Company or the Selling Shareholders in respect of the Offer.

PLAN OF DISTRIBUTION

Underwriting arrangements

The Company, the Selling Shareholders and the Underwriters entered into the Underwriting Agreement on 17 November 2021 with respect to the offer and sale of the Offer Shares in connection with the Offer.

Pursuant to the Underwriting Agreement, and on the terms and subject to the conditions set forth therein, the Company has agreed to issue the New Offer Shares at the Offer Price and the Selling Shareholders have agreed to sell the Existing Offer Shares at the Offer Price to subscribers and purchasers procured by the Underwriters or, failing subscription or purchase by such procured subscribers or purchasers, to the Underwriters themselves. Correspondingly, each of the Underwriters has, severally but not jointly, agreed to use reasonable endeavours to procure subscribers or purchasers for the Firm Offer Shares or, failing subscription or purchase by such procured subscribers or purchasers, to subscribe for, or purchase, the Firm Offer Shares themselves at the Offer Price.

Subject to entering into a pricing memorandum with the Company and the Selling Shareholders and the satisfaction of the other conditions precedent as set out in the Underwriting Agreement, the proportion of total Firm Offer Shares that each Underwriter may severally but not jointly be required to purchase and/or subscribe for is indicated below.

Underwriters	**Underwriting commitment of Firm Offer Shares**
Goldman Sachs Bank Europe SE	35%
Intesa Sanpaolo S.p.A.(1)	15%
Mediobanca—Banca di Credito Finanziario S.p.A.	20%
BNP PARIBAS	8%
BofA Securities Europe S.A.	8%
Citigroup Global Markets Europe AG	8%
Equita SIM S.p.A.	6%
Total	**100%**

(1) Intesa Sanpaolo S.p.A. may also procure subscribers and/or purchasers for the Offer Shares through, Fideuram – Intesa Sanpaolo Private Banking S.p.A., Intesa Sanpaolo Private Banking S.p.A. and/or IWBank S.p.A

In the Underwriting Agreement, the Company and the Selling Shareholders have made certain representations and warranties and have given certain undertakings. In addition, the Company and the Selling Shareholders have agreed to indemnify the Underwriters against certain liabilities in connection with the Offer, including liability under the U.S. Securities Act.

The Underwriting Agreement provides that the obligations of the Underwriters to use reasonable endeavours to procure subscribers and purchasers for the Firm Offer Shares (failing which to purchase or subscribe for the Firm Offer Shares themselves) are subject to entering into a pricing memorandum with the Company and the Selling Shareholders as well as the following conditions precedent (among others): (i) receipt of opinions on certain legal matters from legal counsel, (ii) receipt of customary officers' certificates, (iii) the AFM's approval of this Prospectus and the passporting of this Prospectus being in full force and effect, (iv) the admission of the Ordinary Shares to listing and trading on Euronext Milan occurring no later than 8:00 CET on the First Trading Date and (v) other customary conditions, including in respect of the accuracy of representations and warranties by the Company and the Selling Shareholders and each of the Company and the Selling Shareholders having complied with the terms of the Underwriting Agreement. The Underwriters have the right to waive some conditions in whole or part.

The Joint Global Coordinators (on behalf of the Underwriters) may, among other things, terminate the Underwriting Agreement at any time upon the occurrence of certain events, including: (i) a material adverse change in the business, financial position, results of operations or prospects of the Group taken as a whole since the date of the Underwriting Agreement; (ii) a material adverse change in the financial markets in Italy, the United Kingdom, the United States or the international financial markets, (iii) a breach of any representation, warranty or covenants of the Underwriting Agreement; (iv) trading having been generally suspended or materially limited on Euronext Milan, the New York Stock Exchange, the NASDAQ National Market or the London Stock Exchange; (v) a statement in this Prospectus being inaccurate or untrue or this Prospectus omitting to state a material fact necessary to make the statements herein, in light of the circumstances in which they are made, not misleading; (vi) a matter arises which would require the publication of a supplementary prospectus to this Prospectus pursuant to Article 23 of the Prospectus Regulation; or (vii) the withdrawal or rejection by Borsa Italiana of the application for Admission . Following termination of the Underwriting Agreement, all applications to purchase, or subscribe for, Firm Offer Shares will be disregarded, any allocations made will be deemed not to have been made and any payments made by investors will be returned without interest or other compensation and transactions in the Offer Shares on Euronext Milan may be annulled. See "*The Offer—Delivery, clearing and settlement*" for further information on a withdrawal of the Offer or the (related) annulment of any transactions in Ordinary Shares on Euronext Milan.

In consideration of the agreement by the Underwriters to use reasonable endeavours to procure subscribers and purchasers for the Firm Offer Shares (failing which to subscribe for or purchase the Offer Shares themselves) and subject to the Offer Shares being subscribed for or sold as provided for in the Underwriting Agreement, the Company and the Selling Shareholders have agreed to pay the Underwriters for the Offer an aggregate commission, including a maximum discretionary commission, of up to 2.5% of the gross proceeds of the Offer (including from the sale of any Over-Allotment Shares). The underwriting commission

due to the Underwriters will be borne by the Company and the Selling Shareholders in proportion to the Offer Shares issued or sold by them. In addition, the Company will pay the Underwriters an additional commission of 0.5% of the gross proceeds of the Offer (including from the sale of any Over-Allotment Shares and which includes the commission of Mediobanca as Sponsor) for the services provided by the Underwriters for the exclusive benefit of the Company in connection with the Offer.

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold, pledged or transferred within the United Sates, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares may be offered and sold: (i) in the United States to persons reasonably believed to be QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state and other securities laws, and (ii) outside the United Sates in accordance with Regulation S. Any offer or sale of Offer Shares in the United States pursuant to Rule 144A will be made by broker dealers who are registered as such under the U.S. Exchange Act.

Underwriter's potential conflicts of interest

Each of the Underwriters is acting exclusively for the Company and/or the Selling Shareholders and no one else in connection with the Offer. None of them will regard any other person (whether or not a recipient of this Prospectus) as their respective client in relation to the Offer and will not be responsible to anyone other than the Company and/or the Selling Shareholders for providing the protections afforded to their respective clients or for giving advice in relation to the Offer or any transaction or arrangement referred to in this Prospectus.

The Underwriters receive commissions *pro rata* to the Offer Shares sold by them in the Offer. In addition, Mediobanca acts as Sponsor in connection with the listing of the Ordinary Shares on Euronext Milan and will receive commissions in relation to the services as Sponsor. Certain of the Underwriters and/or their respective affiliates, subsidiaries and or group company (including their respective parent companies), are full service securities firm and commercial bank engaged in various activities and businesses and have in the past engaged, and may in the future, from time to time, engage in commercial banking, investment banking, financial advisory, lending transactions and/or ancillary activities in the ordinary course of their business with the Group, the Selling Shareholders, the other parties directly or indirectly involved in the Offer and/or their respective shareholders and/or subsidiaries and or any parties related to or competing with any of them, in respect of which they have received, and may in the future receive, customary fees and commissions.

Additionally, the Underwriters may, in the ordinary course of their business, in the future hold the Company's securities for investment. Accordingly, in no circumstance shall any Underwriter or their respective affiliates, subsidiaries and or group company (including their respective parent companies) have any liability by reason of members of the group conducting such other businesses or activities, acting in their own interests or in the interests of other clients in respect of matters affecting the Issuer, the Selling Shareholders or their respective affiliates or any other company, including where, in so acting, these parties may have interests that may not be aligned, or could possibly conflict with the interests of investors or of the Company or the Selling Shareholders or the Group. In respect hereof, the sharing of information is generally restricted for reasons of confidentiality, by internal procedures and by rules and regulations.

In connection with the Offer, each of the Underwriters and any of their respective affiliates and/or group companies acting as an investor for its own account, may take up Offer Shares in the Offer and in that capacity may retain, purchase, subscribe for or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offer. Accordingly, references in this Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including contracts for difference, warrants or swaps) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Ordinary Shares. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than pursuant to any legal or regulatory obligation to do so. Each of the Underwriters may at any time hold short or long positions and, if permitted by applicable law, negotiate or otherwise enter into transactions, on their own account or on behalf of customers, in equity or debt instruments, loans or other financial instruments (including derivative securities) of the Company, the Selling Shareholders and/or the other parties directly or indirectly involved in the Offer and/or their respective shareholders and/or subsidiaries and/or other companies operating in the same business sector

As a result of these transactions, the Underwriters may have interests that may not be aligned, or could potentially conflict, with the interests of (potential) holders of the Offer Shares, or with the Company's or the Selling Shareholders' or the Group's interests.

Lock-up arrangements

The Joint Global Coordinators (on behalf of the Underwriters) may, in their sole discretion and at any time without prior public notice, waive in writing the restrictions, including those on sales, issues or transfers of Ordinary Shares, described below, except for the management lock-up. If the consent of the Joint Global Coordinators (on behalf of the Underwriters) in respect of a lock-up arrangement is requested as described below, full discretion can be exercised by the Joint Global Coordinators as to whether or not such consent will be granted. As at the date of this Prospectus, the Joint Global Coordinators (on behalf of the Underwriters) have not waived, or agreed to waive, any of the lock-up restrictions described below.

Company lock-up

Pursuant to the Underwriting Agreement, the Company has agreed that, without the prior written consent of the Joint Global Coordinators (on behalf of the Underwriters), it will not, during the period commencing on the date of the Underwriting

Agreement and ending 180 days after the Settlement Date, (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Ordinary Shares or other shares of the Company or file any registration statement under the U.S. Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing, (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Ordinary Shares or other shares of the Company or otherwise has the same economic effect as under (i), whether any such transaction in the case of (i) and (ii) is to be settled by delivery of Ordinary Shares or such other securities, in cash or otherwise, (iii) publicly announce such an intention to effect any such transaction; or (iv) submit to its shareholders or any other body of the Company a proposal to effect any of the foregoing.

The foregoing restrictions shall not apply to: (i) the issuance of the New Offer Shares in the Offer, and (ii) the granting of awards in Ordinary Shares by the Company pursuant to employee incentive schemes as such grant is disclosed in this Prospectus.

Selling Shareholders lock-up

Pursuant to the Underwriting Agreement, each of the Selling Shareholders has agreed with the Underwriters that, without the prior written consent of the Joint Global Coordinators (on behalf of the Underwriters), it will not, during the period commencing on the date of the Underwriting Agreement and ending 180 days after the Settlement Date (i) directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Ordinary Shares or other shares of the Company or request or demand that the Company files any registration statement under the U.S. Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing, (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Ordinary Shares or other shares of the Company or otherwise has the same economic effect as under (i), whether any such transaction in the case of (i) and (ii) is to be settled by delivery of Ordinary Shares or such other securities, in cash or otherwise; (iii) publicly announce such an intention to effect any such transaction, or (iv) submit to its or the Company's shareholders or any other body of the Company a proposal to effect any of the foregoing.

The foregoing restrictions shall not apply to: (i) the sale of the Offer Shares under the Underwriting Agreement, (ii) the lending of the Ordinary Shares under the Share Lending Agreement, (iii) any transfer of Ordinary Shares by a Selling Shareholder to any entity within such Selling Shareholder's control or to one or more persons, whether natural or legal, who are the ultimate beneficial owners of such Selling Shareholder, provided that prior to any such transfer the transferee shall have agreed to be bound by the foregoing restrictions for the remainder of the lock-up period, and (iv) an acceptance of a general offer for the ordinary share capital of the Company made in accordance with the Dutch FSA and the Consolidated Financial Act, or the provision of an irrevocable undertaking to accept such an offer, provided that the Joint Global Coordinators shall be notified in advance in writing two business days prior to such acceptance or undertaking.

Over-Allotment and stabilisation

In connection with the Offer, the Stabilisation Manager (or any of its agents) on behalf of the Underwriters, may (but will be under no obligation to), to the extent permitted by applicable laws and regulations, over-allot Ordinary Shares or effect other transactions with a view to supporting the market price of the Ordinary Shares or any options, warrants or rights with respect to, or other interest in, the Ordinary Shares, in each case at a higher level than that which might otherwise prevail in the open market. The Stabilisation Manager will not be required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange (including Euronext Milan) or otherwise and may be undertaken at any time during the period commencing on the First Trading Date and ending no later than 30 calendar days thereafter. The Stabilisation Manager will not be obligated to effect stabilising transactions, and there will be no assurance that stabilising transactions will be undertaken. Such stabilising transactions, if commenced, may be discontinued at any time without prior notice. Save as required by law or regulation, neither the Stabilisation Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions under the Offer. The Selling Shareholders have granted Mediobanca in its capacity as Stabilisation Manager, on behalf of the Underwriters the Over-Allotment Option, exercisable in whole or in part during a period of 30 calendar days after the First Trading Date, pursuant to which the Stabilisation Manager (on behalf of the Underwriters) may require the Selling Shareholders to sell up to 11,000,000 Over-Allotment Shares at the Offer Price, comprising up to 15% of the aggregate number of Firm Offer Shares sold in the Offer, solely for the purposes of covering over-allotments or short positions, and stabilisation activities if any, in connection with the Offer.

In connection with the Over-Allotment Option, up to 15% of the total number of Firm Offer Shares will be made available by the Selling Shareholders, in proportion to the Existing Offer Shares to be sold by each Selling Shareholder, to the Stabilisation Manager for the account of the Underwriters, through a securities loan to be entered into prior to the First Trading Date between the Selling Shareholders and the Stabilisation Manager (the **Share Lending Agreement**).

None of the Company, the Selling Shareholders or any of the Underwriters makes any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the Ordinary Shares or any other securities of the Company. In addition, none of the Company, the Selling Shareholders or any of the Underwriters makes any representation that the Stabilisation Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

SELLING AND TRANSFER RESTRICTIONS

No action has been taken or will be taken in any jurisdiction by the Company, the Selling Shareholders or the Underwriters that would permit a public offering of the Offer Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the Offer Shares, in any other country or jurisdiction than the Netherlands and Italy where action for that purpose is required. Accordingly, no Offer Shares may be offered or sold either directly or indirectly, and neither this Prospectus nor any other Offer material or advertisements in connection with the Offer Shares may be distributed or published, in or from any country or jurisdiction except in accordance with any applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws or regulations of any such country or jurisdiction.

If an investor receives a copy of this Prospectus, the investor may not treat this Prospectus as constituting an invitation or offer to the investor of the Offer Shares, unless, in the relevant jurisdiction, such an offer could lawfully be made to the investor, or the Offer Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if the investor receives a copy of this Prospectus or any other Offer materials or advertisements, the investor should not distribute the same in or into, or send the same to any person in, any jurisdiction where to do so would or might contravene local securities laws or regulations.

If an investor forwards this Prospectus or any other Offer materials or advertisements into any such jurisdictions (whether under a contractual or legal obligation or otherwise) the investor should draw the recipient's attention to the contents of this section.

Subject to the specific restrictions described below, investors (including, without limitation, any investors' nominees and trustees) wishing to accept, sell, purchase, or subscribe for, Offer Shares must satisfy themselves as to full observance of the applicable laws and regulations of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

Investors that are in any doubt as to whether they are eligible to purchase, or subscribe for, Offer Shares should consult their professional adviser without delay.

None of the Company, the Selling Shareholders or the Underwriters accepts any legal responsibility for any violation by any person, whether or not a prospective purchaser of any of the Offer Shares, of any such restrictions.

United States

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States for offer or sale as part of their distribution and, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. The Offer Shares will be offered and sold outside the United States in offshore transactions, as defined in and in accordance with, Regulation S. The Underwriting Agreement provides that the Underwriters may directly or through their broker-dealer affiliates, arrange for the offer and resale of Offer Shares within the United States only to QIBs pursuant to Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Prospective investors are hereby notified that any seller of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. The Offer Shares are not transferable except in accordance with the restrictions described below.

The Offer Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offer or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense in the United States.

For so long as any of the Offer Shares are "restricted securities" as defined in Rule 144(a)(3) under the U.S. Securities Act, the Company will, during any period in which the Company is neither subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt from reporting under the U.S. Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of such restricted securities or to any prospective investor in such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective investor, the information required to be delivered pursuant Rule 144A(d)(4) under the U.S. Securities Act. The Company expects to be exempt from reporting under the U.S. Exchange Act pursuant to Rule 12g3-2(b) thereunder.

In addition, until the end of the 40th calendar day after commencement of the Offer, an offering or sale of Ordinary Shares within the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each purchaser of Offer Shares within the United States will be deemed to have represented and agreed as follows:

(a) the purchaser (i) is and at the time of its purchase of the Ordinary Shares, will be, a qualified institutional buyer, or QIB, as defined in Rule 144A, or a broker-dealer acting for the account of a QIB, with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein, (ii) is acquiring the securities for its own account or for the account of a QIB, and (iii) is aware that the securities are "restricted securities" within the meaning of Rule 144(d)(4) U.S. Securities Act and may not be deposited into any unrestricted depositary facility, unless at the time of such

deposit the securities are no longer restricted, and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares;

(b) the purchaser is aware, and each beneficial owner of the Ordinary Shares has been advised, that such securities have not been and will not be registered under the U.S. Securities Act and are being offered in the United States only to QIBs in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;

(c) the purchaser understands and agrees that such securities may not be offered, sold, pledged or otherwise transferred, except (i) to a person that the seller and any person acting on its behalf reasonably believe is another QIB purchasing for its own account or for the account of a QIB meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, (ii) outside the United States in accordance with Regulation S, (iii) pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act or (iv) pursuant to an effective registration statement under the U.S. Securities Act;
the purchaser understands that the Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE ORDINARY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE U.S. SECURITIES ACT) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THE ORDINARY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE ORDINARY SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE ORDINARY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF ORDINARY SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS;

(d) it represents that if, in the future, it offers, resells, pledges or otherwise transfers such Ordinary Shares while they remain "restricted securities" within the meaning of Rule 144, it shall notify such subsequent transferee of the restrictions set out above;

(e) the Company, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If the purchaser is acquiring any Offer Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(f) the Company shall not recognise any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions.

European Economic Area

In relation to each Member State, no Offer Shares have been offered or will be offered pursuant to the Offering to the public in that Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation, except that the Offer Shares may be offered in that Member State to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation.

Each person in a Member State who receives any communication in respect of, or who acquires any Offer Shares under, the Offer or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Company, the Selling Shareholders and the Underwriters that it is a qualified investor within the meaning of the Prospectus Regulation.

In the case of any Offer Shares being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed to and with the Company, the Selling Shareholders and the Underwriters that the Offer Shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired in other circumstances falling within the points (a) to (d) of Article 1(4) of the Prospectus Regulation and the prior consent of the Underwriters has been given to the offer or resale; or

(ii) where the Offer Shares have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Regulation as having been made to such persons.

The Company, the Selling Shareholders and the Underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

For the purposes of this provision, the expression an **offer to the public** in relation to any Offer Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Offer Shares to be offered so as to enable an investor to decide to purchase, or subscribe for, any Offer Shares and the expression **Prospectus Regulation** means Regulation (EU) 2017/1129 and includes any relevant delegated regulations.

Italy

The Offer Shares may not be offered, sold or delivered, directly or indirectly, in Italy or to a resident of Italy, unless such offer, sale or delivery of Offer Shares or distribution of copies of this Prospectus or other documents relating to the Offer in Italy is made:

(a) to qualified investors (*investitori qualificati*), as defined in Article 2(e) of the Prospectus Regulation; or

(b) in any other circumstances which are expressly exempt from the rules on offers to the public, including, without limitation, as provided under Article 1 of the Prospectus Regulation, Article 34-*ter* of the Issuers' Regulation and the applicable Italian laws.

Any such offer, sale or delivery of the Offer Shares or distribution of copies of this Prospectus or any other document relating to the Offer in Italy must be in compliance with the selling restrictions under (i) and (ii) above and must be, in any event, made:

(a) by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter (r), of the Consolidated Financial Act, to the extent duly authorised to conduct such activities in Italy in accordance with the relevant provisions of the Consolidated Financial Act, Consob Regulation No. 20307 of 15 February 2018, the Consolidated Banking Act and any other applicable laws and regulations; and

(b) in compliance with any other applicable Italian securities, tax and exchange control laws and regulations and other applicable requirement or limitation which may be imposed by Consob, the Bank of Italy or by any other Italian regulatory authority from time to time.

Any investor purchasing the Offer Shares is solely responsible for ensuring that any offer or resale of the Offer Shares it purchased occurs in compliance with applicable laws and regulations. In accordance with Article 5 of the Prospectus Regulation and Article 100–bis, paragraph 1, of the Consolidated Financial Act, the subsequent resale on the secondary market in Italy of the Offer Shares (which were part of an offer made pursuant to an exemption from the obligation to publish a prospectus) constitutes a distinct and autonomous offer that must be made in compliance with the public offer and prospectus requirement rules provided under the Consolidated Financial Act and the Issuers' Regulation unless an exemption applies. Failure to comply with such rules may result in the subsequent resale of such Offer Shares being declared null and void and in the liability of the intermediary transferring the Offer Shares for any damage suffered by the investors.

United Kingdom

In relation to the United Kingdom, no Offer Shares have been offered or will be offered pursuant to the Offer to the public in the United Kingdom prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the Financial Conduct Authority, except that the Offer Shares may be offered in the United Kingdom to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the Offer and any Offer Shares to be offered so as to enable an investor to decide to purchase, or subscribe for, any Offer Shares and the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Each person in the United Kingdom who acquires any Offer Shares in the Offer or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Company, the Selling Shareholders and the Underwriters and their affiliates that it meets the criteria outlined in this section.

This Prospectus and any other material in relation to the Offer Shares described herein is only being distributed to, and is only directed at, and any investment or investment activity to which this Prospectus relates is available only to, and will be engaged in only with Relevant Persons. The Offer Shares are only available in the United Kingdom to, and any invitation, offer or agreement to purchase or otherwise acquire the Offer Shares will be engaged in only with, the Relevant Persons. This Prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

Australia

This Prospectus: (i) does not constitute a prospectus or a product disclosure statement under the Australian Corporations Act 2001 of the Commonwealth of Australia (Cth), as amended (the **Australian Corporations Act**); (ii) does not purport to include the information required of a prospectus under Part 6D.2 of the Australian Corporations Act or a product disclosure statement under Part 7.9 of the Australian Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission, the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (iii) may not be provided in Australia other than to select investors (**Exempt**

Investors) who are able to demonstrate that they: (a) fall within one or more of the categories of investors under Section 708 of the Australian Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Australian Corporations Act; and (b) are "wholesale clients" for the purpose of Section 761G of the Australian Corporations Act.

The Offer Shares may not be directly or indirectly offered for subscription or purchase or sold, and no invitations to subscribe for, or buy, the Offer Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Offer Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Australian Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Offer Shares, each prospective investor in Offer Shares represents and warrants to the Company, the Selling Shareholder, the Underwriters and their affiliates that such prospective investor is an Exempt Investor.

Canada

Any offer or sale of the Offer Shares in Canada will be made only to purchasers purchasing, or deemed to be purchasing, as principal that (i) are "accredited investors", as defined in National Instrument 45-106 – Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), as applicable, and (ii) are "permitted clients", as defined in National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (**NI 33-105**), any dealers or placement agents used in connection with this offering are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

South Africa

This Prospectus does not, nor does it intend to, constitute a "registered prospectus" or "advertisement", as contemplated by the South African Companies Act; and no prospectus has been filed with the South African Companies and Intellectual Property Commission (**CIPC**) in respect of the Offer. As a result, this Prospectus does not comply with the substance and form requirements for a prospectus as set out in the South African Companies Act, and has not been approved by, and/or registered with, CIPC or any other South African authority.

The information contained in this Prospectus constitutes factual information as contemplated in Section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act, 37 of 2002, as amended (the **South African FAIS Act**) and should not be construed as an express or implied recommendation, guide or proposal that any particular transaction in respect of the Offer Shares or in relation to the business or future investments of the Company is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in this Prospectus should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa. The Company is not a financial services provider licensed as such under the South African FAIS Act.

Japan

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law (Law No.25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, **Japanese Person** shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Switzerland

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Offer Shares in Switzerland. The offering of the Offer Shares is exempt from a requirement to prepare and publish a prospectus under the Swiss Financial Services Act (**FinSA**) because the Offer Shares are offered to less than 500 investors and the Offer Shares will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Prospectus does not constitute a prospectus or a similar document pursuant to the FinSA and no such Prospectus has been or will be prepared in connection with the offering of the Offer Shares.

DIFC

The Offer Shares to which this prospectus relates may not be offered or sold to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the **DFSA**) rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business (COB) Module of the DFSA rulebook.

Singapore

This Prospectus or any other material relating to the Offer Shares has not been and will not be registered as a prospectus with the monetary authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Offer Shares may not be circulated or distributed, nor may any Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than:

(a) to an institutional investor under Section 274 of the Securities and Futures Act Chapter 289, of Singapore (the **Singapore Securities and Futures Act**);

(b) to a relevant person pursuant to Section 275(1A) of the Singapore Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Singapore Securities and Futures Act; or

(c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Singapore Securities and Futures Act.

Where Offer Shares are purchased, or subscribed for, under Section 275 by a relevant person that is:

(a) a corporation (which is not an accredited investor) (as defined in Section 4A of the Singapore Securities and Futures Act) whose sole business is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (as defined in Section 2(1) of the Singapore Securities and Futures Act) of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 except:

(i) to an institutional investor or to a relevant person as defined in Section 275(2) of the Singapore Securities and Futures Act, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Singapore Securities and Futures Act;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the Singapore Securities and Futures Act.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Offer Shares are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

No Offer Shares have been offered or sold or will be offered or sold in Hong Kong, by means of any document, other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the Hong Kong Securities and Futures Ordinance) and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provision) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Offer Shares has been issued or has been in the possession of any person for the purposes of issue, nor will any such advertisement, invitation or document be issued or be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Hong Kong Securities and Futures Ordinance and any rules made under the Hong Kong Securities and Futures Ordinance.

TAXATION

TAXATION IN THE NETHERLANDS

General

The following summary outlines certain material Dutch tax consequences of the acquisition, holding, redemption and disposal of Ordinary Shares, but does not purport to be a comprehensive description of all Dutch tax considerations that may be relevant. For purposes of Dutch tax law, a holder of Ordinary Shares may include an individual or entity who does not have the legal title of these Ordinary Shares, but to whom nevertheless the Ordinary Shares or the income thereof is attributed based on specific statutory provisions or on the basis of such individual or entity having an interest in the Ordinary Shares or the income thereof. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of the acquisition, holding, redemption and disposal of Ordinary Shares.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and it does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Dutch corporate and individual income tax consequences for:

(i) investment institutions (*fiscale beleggingsinstellingen*);

(ii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other Dutch tax resident entities that are not subject to or exempt from Dutch corporate income tax;

(iii) corporate holders of Ordinary Shares which qualify for the participation exemption (*deelnemingsvrijstelling*) or would qualify for the participation exemption had the corporate holders of Ordinary Shares been resident in the Netherlands or which qualify for participation credit (*deelnemingsverrekening*). Generally speaking, a shareholding is considered to qualify as a participation for the participation exemption or participation credit if it represents an interest of 5% or more of the nominal paid-up share capital;

(iv) holders of Ordinary Shares holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Company and holders of Ordinary Shares of whom a certain related person holds a substantial interest in the Company. Generally speaking, a substantial interest in the Company arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold (a) an interest of 5% or more of the total issued capital of the Company or 5% or more of the issued capital of a certain class of Shares of the Company, (b) rights to acquire, directly or indirectly, such interest or (c) certain profit-sharing rights in the Company;

(v) persons to whom the Ordinary Shares and the income from the Ordinary Shares are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) or the Dutch Gift and Inheritance Tax Act 1956 (*Successiewet 1956*);

(vi) entities which are a resident of Aruba, Curacao or Sint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Sint Eustatius or Saba and the Ordinary Shares are attributable to such permanent establishment or permanent representative;

(vii) holders of Ordinary Shares which are not considered the beneficial owner (*uiteindelijk gerechtigde*) of these Ordinary Shares or the benefits derived from or realised in respect of these Ordinary Shares; and

(viii) individuals to whom Ordinary Shares or the income therefrom are attributable to employment activities which are taxed as employment income in the Netherlands.

Where this summary refers to the Netherlands, or Dutch, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

Dividend withholding tax

Withholding requirement

The Company is required to withhold 15% (2021) Dutch dividend withholding tax in respect of dividends paid on the Ordinary Shares. Generally, the Dutch dividend withholding tax will not be borne by the Company, but will be withheld from the gross dividends paid on the Ordinary Shares. In the Dutch Dividend Withholding Tax Act 1965 (*Wet op de dividendbelasting 1965*), dividends are defined as the proceeds from Ordinary Shares, which include:

(i) direct or indirect distributions of profit, regardless of their name or form;

(ii) liquidation proceeds, proceeds on redemption of the Ordinary Shares and, as a rule, the consideration for the repurchase of the Ordinary Shares by the Company in excess of its average paid-in capital recognised for Dutch dividend withholding tax purposes, unless a particular statutory exemption applies;

(iii) the nominal value of Ordinary Shares issued to a holder of the Ordinary Shares or an increase of the nominal value of the Ordinary Shares, insofar as the (increase in the) nominal value of the Ordinary Shares is not funded out of the Company's paid-in capital as recognised for Dutch dividend withholding tax purposes; and

(iv) partial repayments of paid-in capital recognised for Dutch dividend withholding tax purposes, if and to the extent there are qualifying profits (*zuivere winst*), unless the General Meeting has resolved in advance to make such repayment and provided that the nominal value of the Ordinary Shares concerned has been reduced by an equal amount by way of an amendment of the Articles of Association and the paid-in capital is recognised as capital for Dutch dividend withholding tax purposes. The term "qualifying profits" includes anticipated profits that have yet to be realised.

If both the Netherlands and Italy consider the Company a resident based on their domestic provisions to determine a company's tax residency, the Company may not be required to withhold Dutch dividend withholding tax if, based on the double tax treaty concluded between the Netherlands and Italy, the Company is exclusively resident in Italy for tax purposes.

This exception may not be applicable to dividends distributed by the Company to Dutch tax resident individuals or companies (or non-Dutch residents with a permanent establishment in the Netherlands to which the Shares are attributable). The Company is currently in the process of filing an advance tax ruling request with the Dutch tax authorities to confirm that no withholding of any Dutch dividend withholding tax is applicable at all. Should the Company nevertheless be under the obligation to withhold Dutch dividend withholding tax, it will be required to identify its shareholders in order to assess whether there are Dutch residents (or non-Dutch residents with a permanent establishment in the Netherlands to which the Shares are attributable) in respect of which Dutch dividend withholding tax has to be withheld. Such identification is generally not possible in practice. If the identity of the shareholders cannot be assessed upon a dividend distribution, withholding of both Italian and Dutch dividend withholding tax (at a rate of 15%) from such dividends may occur.

Residents of the Netherlands

If a holder of Ordinary Shares is a resident or deemed to be a resident of the Netherlands for Dutch corporate or individual income tax purposes, Dutch dividend withholding tax which is withheld with respect to proceeds from the Ordinary Shares will generally be creditable for Dutch corporate income tax or Dutch income tax purposes.

Non-residents of the Netherlands

If a holder of Ordinary Shares is a resident of a country other than the Netherlands and if a treaty for the avoidance of double taxation with respect to taxes on income is in effect between the Netherlands and that country (the **Tax Treaty**), and such holder is a resident for the purposes of such Tax Treaty, such holder may, depending on the terms of that particular treaty, be able to reclaim such Dutch dividend withholding tax.

In 2017 the Netherlands signed the Multilateral Instrument (**MLI**). Since the entry into force of the MLI in July 2019, the MLI applies to the Covered Tax Agreements concluded by the Netherlands. A Covered Tax Agreement is an agreement for the avoidance of double taxation that is in force between parties to the MLI and for which both parties have made a notification that they wish to modify the agreement using the MLI. The Principle Purpose Test (**PPT**) is part of the MLI in the majority of these Covered Tax Agreements. The PPT disallows treaty benefits if obtaining treaty benefits is the main reason or one of the main reasons for an arrangement or transaction, unless the granting of these treaty benefits is in line with the spirit and intent of the relevant treaty provision. For completeness ' sake, where a reference is made to a Tax Treaty, such Tax Treaty is assumed to include the MLI where applicable.

A refund of the Dutch dividend withholding tax is available to entities resident in another EU Member State, Norway, Iceland, or Liechtenstein provided:

(i) these entities are not subject to corporate income tax in their jurisdiction and
(ii) these entities would not be subject to Dutch corporate income tax, if these entities would be tax resident in the Netherlands for corporate income tax purposes and (iii) these entities are not comparable to investment institutions (*fiscale beleggingsinstellingen*) or exempt investment institutions (*vrijgestelde beleggingsinstellingen*). Furthermore, a similar refund of Dutch dividend withholding tax may be available to entities resident in other countries, under the additional condition that (i) the Ordinary Shares are considered portfolio investments for purposes of Section 63 (taking into account Section 64) of the Treaty on the functioning of the European Union and (ii) the Netherlands can exchange information with this other country in line with the international standards for the exchange of information.

A (partial) refund of Dutch dividend withholding tax is available to a holder of Ordinary Shares resident in another EU member state, Norway, Iceland or Liechtenstein if:

(i) this holder of Ordinary Shares is not subject to Dutch individual income tax or Dutch corporate income tax with respect to the income from the Ordinary Shares and

(ii) such Dutch dividend withholding tax is higher than the Dutch individual income tax or Dutch corporate income tax would have been due had this holder of Ordinary Shares been tax resident in the Netherlands, after taking into account a possible refund based on the Dutch Dividend Withholding Tax Act 1965 (*Wet op de dividendbelasting 1965*) or a refund based on a treaty for the avoidance of double taxation with respect to taxes on income and

(iii) no credit based on a treaty for the avoidance of double taxation with respect to taxes on income is granted in the state in which the holder of Ordinary Shares is tax resident, for the full amount of Dutch dividend withholding tax withheld and

(iv) this holder of Ordinary Shares does not have a similar function as an investment institution (*fiscale beleggingsinstelling*) or exempt investment institution (*vrijgestelde beleggingsinstelling*).

Furthermore, a similar refund of Dutch dividend withholding tax may be available to a holder of Ordinary Shares resident in another country, under the additional conditions that (A) the Ordinary Shares are considered portfolio investments for purposes of Section 63 (taking into account Section 64) of the Treaty on the functioning of the European Union and (B) the Netherlands can exchange information with this other country in line with the international standards for the exchange of information and (C) no credit based on a treaty for the avoidance of double taxation with respect to taxes on income is granted in the state in which the holder of Ordinary Shares is tax resident, for the full amount of Dutch dividend withholding tax withheld and (D) this holder of Ordinary Shares does not have a similar function as an investment institution (*fiscale beleggingsinstelling*) or exempt investment institution (*vrijgestelde beleggingsinstelling*).

Beneficial owner

A recipient of proceeds from the Ordinary Shares will not be entitled to any exemption, reduction, refund or credit of Dutch dividend withholding tax if such recipient is not considered to be the beneficial owner of such proceeds. The recipient will not be considered the beneficial owner of these proceeds, if, in connection with such proceeds, the recipient has paid a consideration as part of a series of transactions in respect of which it is likely:

(i) that the proceeds have in whole or in part accumulated, directly or indirectly, to a person or legal entity that would:
   (A) as opposed to the recipient paying the consideration, not be entitled to an exemption from dividend withholding tax; or
   (B) in comparison to the recipient paying the consideration, to a lesser extent be entitled to a reduction or refund of dividend withholding tax; and

(ii) that such person or legal entity has, directly or indirectly, retained or acquired an interest in Ordinary Shares, profit-sharing certificates or loans, comparable to the interest it had in similar instruments prior to the series of transactions being initiated.

Dutch dividend withholding tax upon redistribution of foreign dividends

The Company must pay to the Dutch tax authorities all Dutch dividend withholding tax it withholds on dividends it distributed with respect to the Ordinary Shares. Provided certain conditions are met, the Company may apply a reduction with respect to the dividend withholding tax that it has to pay to the Dutch tax authorities. This reduction can be applied if the Company distributes dividends that stem from dividends the Company itself has received from certain qualifying non-Dutch subsidiaries, provided these dividends the Company has received are exempt from Dutch corporate income tax and were subject to a withholding tax of at least 5% upon distribution to the Company. The reduction is applied to the Dutch dividend withholding tax that the Company must pay to the Dutch tax authorities and not to the amount of the Dutch dividend withholding tax that the Company must withhold. The reduction is equal to the lesser of:

(i) 3% of the amount of the dividends distributed by the Company that are subject to Dutch dividend tax; and

(ii) 3% of the gross amount of the dividends received during a certain period from the qualifying non-Dutch subsidiaries.

Corporate and individual income tax

Residents of the Netherlands

If a holder of Ordinary Shares is a resident of the Netherlands or deemed to be a resident of the Netherlands for Dutch corporate income tax purposes and is fully subject to Dutch corporate income tax or is only subject to Dutch corporate income tax in respect of an enterprise to which the Ordinary Shares are attributable, income derived from the Ordinary Shares and gains realised upon the redemption or disposal of the Ordinary Shares are generally taxable in the Netherlands (at up to a maximum rate of 25% (2021)).

If an individual is a resident of the Netherlands or deemed to be a resident of the Netherlands for Dutch individual income tax purposes, income derived from the Ordinary Shares and gains realised upon the redemption or disposal of the Ordinary Shares are taxable at the progressive rates (at up to a maximum rate of 49.5% in 2021) under the Dutch Income Tax Act 2001, if:

(i) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Ordinary Shares are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Ordinary Shares are attributable; or

(ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which includes activities with respect to the Ordinary Shares that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) above applies to the holder of the Shares (and this person is not listed as excluded person in the list above), taxable income with regard to the Ordinary Shares will be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments is fixed at a percentage of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a certain threshold (*heffingvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Ordinary Shares will be included as an asset in the individual's yield basis. The deemed return percentage to be applied to the yield basis increases progressively depending on the amount of the yield basis. The deemed return on income from savings and investments is taxed at a rate of 31% (2021).

Non-residents of the Netherlands

If a person is neither a resident of the Netherlands nor is deemed to be a resident of the Netherlands for Dutch corporate or individual income tax purposes, such person is not liable to Dutch income tax in respect of income derived from the Ordinary Shares and gains realised upon the redemption or disposal of the Ordinary Shares, unless:

(i) The person is not an individual and such person (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or a permanent representative the Ordinary Shares are attributable, or (2) is, other than by way of securities, entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Ordinary Shares are attributable.

(ii) The person is an individual and such individual (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Ordinary Shares are attributable, or (2) realises income or gains with respect to the Ordinary Shares that qualify as income from miscellaneous activities in the Netherlands which include activities with respect to the Ordinary Shares that exceed regular, active portfolio management, or (3) is, other than by way of securities, entitled to a share in the profits of an enterprise that is effectively managed in the Netherlands and to which enterprise the Ordinary Shares are attributable.

Income derived from the Ordinary Shares as specified under (i) is subject to Dutch corporate income tax at up to a maximum rate of 25% (2021). Income derived from the Ordinary Shares as specified under (ii)(1) and (ii)(2) by an individual is subject to individual income tax at progressive rates up to a maximum rate of 49.5% (2021). Income derived from a share in the profits of an enterprise as specified under (ii)(3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "*—Dividend withholding tax—Residents of the Netherlands*").

Gift and inheritance tax

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of the Ordinary Shares by way of gift by, or on the death of a holder of the Ordinary Shares, unless:

(i) the holder of the Ordinary Shares is, or is deemed to be, resident in the Netherlands for the purpose of the relevant provisions; or

(ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

Value added tax

No Dutch value added tax will arise in respect of payments in consideration for the issue of the Ordinary Shares or in respect of a cash payment made under the Ordinary Shares, or in respect of a transfer of Ordinary Shares.

Other taxes and duties

No registration tax, customs duty, transfer tax, stamp duty, capital tax or any other similar documentary tax or duty will be payable in the Netherlands by a holder of Ordinary Shares in respect of or in connection with the subscription, issue, placement, allocation, delivery or transfer of the Ordinary Shares.

Residence

A holder of Ordinary Shares will not become or be deemed to become a resident of the Netherlands solely by reason of holding these Ordinary Shares.

TAXATION IN ITALY

Introduction

The contents of this Prospectus are not to be construed as legal, financial, business or tax advice. Any potential investor (whether in the jurisdictions referred to in this section or otherwise) should consult its own tax adviser for advice about the tax consequences of acquiring, owning and disposing of Ordinary Shares in its particular circumstances.

Where in this section English terms and expressions are used to refer to Italian concepts, the meaning to be given to these terms and expressions shall be the meaning to be given to the equivalent Italian concepts under Italian tax law.

This taxation summary solely addresses certain material Italian tax consequences to shareholders in connection with the offering of Ordinary Shares. This summary does not discuss every aspect of taxation that may be relevant to a shareholder or that may be relevant to a particular taxpayer under special circumstances or who is subject to special treatment under applicable law, and is not intended to be applicable in all respects to all categories of investors.

This taxation summary assumes that the Company is organised and that its business will be conducted in the manner outlined in this Prospectus. Changes in its Italian tax residence, organisational structure or the manner in which the Company conducts its business may invalidate this summary.

Prospective investors should consult their tax advisors regarding their personal tax consequences of acquiring, owning and disposing of shares and should investigate the nature and origin of the amounts received as distributions in connection with the Ordinary Shares (dividends or reserves).

Italian income taxation

The following is a general summary of certain Italian tax consequences of the purchase, holding and transfer of Ordinary Shares pursuant to the Italian tax laws currently in force and in relation to specific classes of investors.

The following is not intended to be an exhaustive analysis of all the tax consequences of the purchase, holding and transfer of shares for all possible categories of investors.

The tax regime applicable to the purchase, holding and transfer of shares, as described below, is based on the Italian laws currently in force, as well on the practices and guidelines existing as of the date of this Prospectus, which are subject to any changes occurring after such date, which could be made on a retroactive basis. Neither the Company nor any parent or subsidiary

of the Company will update this summary to reflect changes in law. If any such change occurs, the information in this summary could be superseded.

Prospective investors should consult with their advisors on the tax regime applicable to the purchase, holding and transfer of Ordinary Shares.

Definitions

In this section, the following terms have the meaning defined below:

- **DPR 600/1973**: Presidential Decree No. 600 of 29 September 1973;
- **IRES**: Italian corporate income tax;
- **IRAP**: Italian regional tax on productive activities;
- **Non-Qualified Holdings**: holdings of Ordinary Shares, including rights or securities through which Ordinary Shares may be acquired, other than Qualified Holdings;
- **Parent Subsidiary Directive**: Directive 435/90/EEC of 23 July 1990, then recast in EU Directive 2011/96 of 30 November 2011;
- **Qualified Holdings**: holdings of Ordinary Shares, including rights or securities through which Ordinary Shares may be acquired, that represent, in case of shares listed on regulated markets, either (i) more than two percent of the overall voting rights exercisable at ordinary shareholders' meetings or (ii) an interest in the Company's issued and outstanding capital in excess of 5%;
- **Transfer of Qualified Holdings**: transfers of Ordinary Shares, including rights or securities through which Ordinary Shares may be acquired, that exceed, over a period of 12 (twelve) months, the threshold for qualifying as Qualified Holdings. The twelve-month period starts from the date when the shares, securities and the rights owned represent a percentage of voting rights or interest in the Company's capital that exceeds the aforesaid thresholds. In case of rights or securities through which Ordinary Shares may be acquired, the percentage of voting rights or interest in the Company's capital potentially attributable to the holding of such rights and securities is taken into account;
- **TUIR**: Italian Income Tax Code pursuant to Presidential Decree No. 917 of 22 December 1986;
- **White list**: list of countries and territories allowing a satisfactory exchange of information with Italy (i) currently included in the Italian Ministerial Decree of 4 September 1996, as subsequently amended and supplemented.

Taxation of dividends

Dividends allocated to the Ordinary Shares will be subject to the tax treatment ordinarily applicable to dividends paid by corporations resident in Italy for tax purposes.

The following different methods of taxation apply to different classes of recipients.

Italian resident individuals not engaged in business activity

Dividends paid on the Ordinary Shares to individuals who are resident in Italy for Italian tax purposes where such Ordinary Shares are held neither in connection with a business activity nor in the context of the discretionary investment portfolio regime (*risparmio gestito*) as defined below are subject to substitute tax at the rate of 26%, pursuant to Article 27-ter of DPR 600/1973 and to Article 2 of Law Decree No. 138 of 13 August 2011 (converted into law by Law No. 148 of 14 September 2011). As a result of the withholding of this substitute tax, shareholders are not required to report received dividends on their tax returns.

This substitute tax is withheld by the Italian resident share depository where the securities are deposited, which have joined the centralised management system managed by Monte Titoli, or through a representative appointed in Italy (in particular, a bank or investment company resident in Italy, a permanent establishment in Italy of non-resident banks or investment firms, or a centralised financial instrument management company authorised pursuant to Article 80 of Unified Financial Act, by non-resident share depositories which adhere to the Monte Titoli system or to foreign centralised deposit systems in turn adhering to the Monte Titoli system).

Italian resident individuals not engaged in business activity, holding shares in the context of the "risparmio gestito" regime

Dividends paid to individuals resident in Italy for tax purposes on shares, held outside the scope of business activity, admitted in an asset management relationship with an authorised intermediary, for which the option for the discretionary investment portfolio (*risparmio gestito*) regime has been exercised pursuant to Article 7 of Legislative Decree 461/1997, are not subject to any withholding or substitute tax and are included in the annual accrued management result (*risultato maturato annuo di gestione*), to be subject to 26% substitute tax.

Companies and entities referred to in Article 73, paragraph 1, sections a) and b), of the TUIR, which are resident in Italy for tax purposes

No Italian tax is withheld at source on dividends paid to Italian resident companies and other Italian resident business entities as referred to in Article 73, paragraph 1, sections a) and b), of the TUIR, including, among others, corporations (*società per azioni*), partnerships limited by shares (*società in accomandita per azioni*), limited liability companies (*società a responsabilità limitata*) and public and private entities whose sole or primary purpose is to carry out business activities. Only 5% of the dividends are included in the overall business income subject to IRES, unless the Ordinary Shares are booked as shares held for trading by holders that apply IAS / IFRS international accounting standards under Regulation No. 1606/2002 of the European Parliament and Council of 19 July 2002. In this latter case, the full amount of the dividends is included in the holder's overall business income subject to IRES.

For some types of companies and under certain conditions, dividends are also included in the net value of production, which is subject to IRAP.

Non-resident persons that do not hold the Ordinary Shares through a permanent establishment in Italy

A 26% tax withheld at source generally applies on dividends paid to non-resident persons that do not have a permanent establishment in Italy to which the Ordinary Shares are effectively connected.

This 26% tax is withheld by the Italian resident share depository where the securities are deposited, which have joined the centralised management system managed by Monte Titoli or, through a representative appointed in Italy (in particular, a bank or SIM resident in Italy, a permanent establishment in Italy of non-resident banks or investment firms, or a centralised financial instrument management company authorised pursuant to Article 80 of the Italian Unified Financial Act), by non-resident share depositories which adhere to the Monte Titoli system or to foreign centralised deposit systems in turn adhering to the Monte Titoli system.

Subject to a specific application that must be submitted to the Italian tax authorities under the terms and conditions provided by law, non-resident holders are entitled to relief (in the form of a refund), which cannot be greater than 11/26 (eleven twenty-sixths) of the tax levied in Italy, if they can demonstrate that they have paid final tax abroad on the same profits. Holders who may be eligible for the relief should consult with their own independent tax advisors to determine whether they are eligible for, and how to obtain, the tax refund.

As an alternative to the relief described above, persons resident in countries that have a double tax treaty in force with Italy may request that the tax withheld at source on dividends be levied at the (reduced) rate provided under the applicable tax treaty. For this purpose, the entities with which the shares are deposited, which have joined the centralised deposit system managed by Monte Titoli, must promptly obtain:

- an affidavit by the non-resident person drafted in compliance with the form approved by the Italian tax authorities (Provvedimento No. 2013/84404), stating that (i) it is the beneficial owner of the dividends, (ii) all conditions to which the treaty regime is subject are fulfilled, and indicating its general information, as well as any information that may be necessary to determine the tax rate applicable pursuant to the treaty; and
- a tax residence certificate from the competent tax authority of the State where the beneficial owner of the dividends is resident, proving tax residence in that State. This certificate, included in the form mentioned above, shall be valid for the tax period referred to in the affidavit starting from the issuing date, provided that all requirements remain met.

If such documentation is not submitted to the depositary before payment of the dividend, the tax is generally withheld at the rate of 26%. The beneficial owner of the dividends may nevertheless request a refund from the Italian tax authorities for the difference between the tax withheld and the tax that would have applied under the treaty by filing a proper refund application together with the aforementioned documentation.

This must be submitted according to the terms and conditions provided by law.

The domestic withholding tax rate on dividends is 1.2% (and not 26%) if the recipients and beneficial owners of the dividends on Ordinary Shares are companies or entities that are (a) resident for tax purposes in an EU Member State or in a State that is party to the European Economic Area Agreement and is included in the Italian White List and (b) subject to corporate income tax in such State.

These companies and entities are not entitled to the relief described above.

Under Article 27-bis of Decree 600, which implemented in Italy the Parent Subsidiary Directive, a company is entitled to a full refund of the tax withheld at source on the dividends if it (a) has one of the legal forms provided for in the appendix to Parent Subsidiary Directive, (b) is resident for tax purposes in an EU Member State without being considered to be resident outside the EU according to a double tax treaty signed with a non-EU country, (c) is subject in the country of residence to one of the taxes indicated in the appendix to the Parent Subsidiary Directive with no possibility of benefiting from optional or exemption regimes that have no territorial or time limitations, and (d) directly holds Common Shares that represent an interest in the issued and outstanding capital of the Company of no less than 10% for an uninterrupted period of at least one year. If these conditions are met, and as an alternative to submitting a refund request after the dividend distribution, the non-resident company may request that no tax be levied at the time the dividends are paid, provided that (x) the 1-year holding period under condition (d) above has already run and (y) the non-resident company promptly submits proper documentation. EU resident companies that are controlled directly or indirectly by persons that are not resident in an EU Member State may request the refund or the direct withholding exemption only if the EU resident companies prove that they do not hold the Ordinary Shares for the sole or primary purpose of benefiting from the Parent Subsidiary Directive.

Tax regime for capital gains realised upon transfer of shares

Italian resident individuals not engaged in business activities

Capital gains, other than those in connection with the carrying out of a business activity, realised by individuals resident in Italy for tax purposes upon transfer for consideration of shares in companies, as well as of securities or rights whereby such shares can be acquired, are subject to substitute tax at a rate of 26%. The taxpayer may opt for one of the following three methods of taxation:

- Taxation under the tax return regime (*regime della dichiarazione*): under the tax return regime, which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in a business activity, substitute tax on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any relevant capital loss of the

same nature incurred in such tax year, realised pursuant to all disposals of shares carried out during that tax year. Italian resident individuals holding the Ordinary Shares otherwise than in connection with a business activity must report overall capital gains realised in any tax year, net of any relevant capital loss of the same nature incurred in such tax year, in the annual tax return to be filed for such year and pay substitute tax on such gains together with any income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same nature realised in any of the four succeeding tax years. The tax return method is mandatory in the event that the taxpayer does not choose one of the two alternative regimes mentioned in the next two paragraphs.

- Non-discretionary investment portfolio (*risparmio amministrato*) regime (optional): pursuant to Article 6 of Legislative Decree No. 461/1997, Italian resident individuals holding Ordinary Shares otherwise than in connection with a business activity may elect to pay 26% substitute tax separately on capital gains realised on each transfer of Shares. Such separate taxation of capital gains is permitted if (i) the Ordinary Shares are being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the *risparmio amministrato* regime is made in writing by the relevant shareholder. Under the *risparmio amministrato* regime, the financial intermediary is responsible for accounting for substitute tax in respect of capital gains realised on each transfer of the Ordinary Shares (as well as in respect of capital gains realised at revocation of its mandate), net of any relevant capital loss of the same nature incurred in the applicable tax year, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer by deducting a corresponding amount from proceeds to be credited to the shareholder or using funds provided by the shareholder for this purpose. Under the *risparmio amministrato* regime, where a transfer of Ordinary Shares results in capital loss, such loss may be deducted (according to Legal Decree 66/2014, to a reduced extent to 76.92%) from capital gains of the same nature realised in such tax year or any of the four succeeding tax years. If the custody or administration relationship is lost, any capital losses may be deducted, not later than the fourth taxable period after the realization date, from the gains realised under another managed savings account directed at the same subjects reporters or depositors of origin, or may be deducted from the tax return. Under the *risparmio amministrato* regime, the shareholder is not required to declare capital gains in its annual tax declaration.

- Discretionary investment portfolio (*risparmio gestito*) regime (optional): pursuant to Article 7 of Legislative Decree No. 461/1997, any capital gains accrued on Ordinary Shares held otherwise than in connection with business activity by Italian resident individuals who have entrusted the management of their financial assets, including the Ordinary Shares, to an authorised intermediary and who have elected for the *risparmio gestito* regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to 26% substitute tax to be applied on behalf of the taxpayer by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward (according to Legal Decree 66/2014 to a reduced extent of 76.92% for negative results reported in the period between 1 January 2012 and 30 June 2014), against an increase in value of the managed assets accrued in any of the four succeeding tax years. In the event of a closure of the management report, the negative operating results accrued (resulting from a specific certification issued by the manager) may be deducted, not later than the fourth tax period subsequent to the maturity date, from the capital gains realised in the balance sheet, in the context of another relationship for which the managed savings scheme is applicable, or used (for the amount available in it) under another relationship for which the option for the managed savings scheme has been made, provided that the report or deposit concerned is addressed to the same subjects as the relationship or deposit of the source, or may be deducted from the same persons at the time of the declaration of income, in accordance with the same rules applicable to the excessive losses as per point (concerning the "declaration system"). Under the *risparmio gestito* regime, the shareholder is not required to report capital gains realised in its annual tax declaration.

Italian resident companies and entities referred to in Article 73(1), sections a) and b), of the TUIR

Capital gains realised by the companies and entities referred to in Article 73(1), sections a) and b), of the TUIR, including Italian resident limited liability companies and public and private entities with the sole or primary object of engaging in commercial activity, upon transfer for consideration of Ordinary Shares are taxable (i) as business income in their full amount in the tax period in which they are realised or (ii) at the election of such company or entity, for shares owned for not less than three years (one year for professional sporting companies), or recorded as part of fixed financial assets in the last three balance sheets, in equal instalments in the same tax period and a maximum of four subsequent tax periods. This choice must result from the declaration of income, if the statement is not presented, the capital gain will contribute to the formation of taxable income for the entire amount in the year in which it is realised.

However, pursuant to Article 87 of the TUIR ("participation exemption" regime), capital gains realised upon transfer of Ordinary Shares are 95% exempt from taxable income if such Ordinary Shares meet the following requirements:

a) uninterrupted ownership as of the first day of the twelfth month prior to the transfer, treating the shares acquired on the most recent date as transferred first;
b) classification in the category of fixed financial assets in the first balance sheet prepared during the period of ownership;
c) residence for tax purposes of the relevant entity in a country or territory, other than those benefiting from a privileged tax regime, identified on the basis of the criteria established by Articles 47-bis of TUIR;
d) the participated entity engages in a commercial business according to the definition set forth in Article 55 of the TUIR; however this requirement is not relevant for holdings in companies whose securities are traded on regulated markets.

The requirement under (c) must be verified without interruption in the 5-year period before the sale if the buyer is a third party and for the taxpayer's entire holding period if the buyer is a related person.

The requirement under (d) above must be satisfied without interruption from at least the start of the third tax period before the capital gain is realised and at such time as it is realised. The transfer of shares belonging to the category of fixed financial assets and the transfer of shares belonging to the category of working capital are to be considered separately with reference to each category. If the aforementioned requirements are met, the capital losses made on holding are not deductible from business income.

For purposes of determining capital gains and capital losses reported for tax purposes, the cost of the shares transferred for tax purposes is recognised net of any depreciation deducted in previous tax periods.

For some types of companies and under certain conditions, capital gains on shares are considered in determining the respective net value of production may be subject to the Regional Tax on Business Activities.

Non-Italian residents without permanent establishment with the Italian territory

- Non-Qualified Holdings. No tax applies in Italy on capital gains realised by non-Italian resident holders without a permanent establishment in Italy upon transfer for consideration of Ordinary Shares that do not qualify as Transfers of Qualified Holdings, even if the Ordinary Shares are held in Italy and regardless of the provisions set forth in any applicable double tax treaty. In such case, in order to benefit from this exemption, non-Italian resident holders who hold the Ordinary Shares with an Italian authorised financial intermediary and either are subject to the non-discretionary investment portfolio regime or have elected into the discretionary investment portfolio regime may be required to timely submit to the Italian authorised financial intermediary an affidavit whereby they state that they are not resident in Italy for tax purposes.

- Qualified Holdings. Capital gains realised by non-Italian resident holders without a permanent establishment in Italy upon Transfers of Qualified Holdings are included in the holder's income taxable in Italy according to the same rules as applicable to Italian resident individuals not engaged in business activity. These capital gains must be reported in the annual income tax return and cannot be subject to the non-discretionary investment portfolio regime or the discretionary investment portfolio regime. However, the provisions of double tax treaties entered into by Italy may apply if more favourable.

Transfer tax

Contracts or other legal instruments relating to the transfer of securities (including the transfer of the Ordinary Shares) are subject to registration tax as follows: (i) notary deeds (*atti pubblici*) and private deeds with notarised signatures (*scritture private autenticate*) executed in Italy must mandatorily be registered with the Italian tax authorities and are subject to €200.00 registration tax; and (ii) private deeds (*scritture private*) are subject to €200.00 registration tax only if they are voluntary filed for registration with the Italian tax authorities or if the so-called "*caso d'uso*" or "*enunciazione*" occurs.

Financial transaction tax

Article 1(491-500) of Law No. 228 of 24 December 2012 introduced a financial transaction tax (FTT) applicable, among others, to the transfers of the ownership of (i) shares issued by Italian resident corporations, (ii) participating financial instruments (as defined under Article 2346(6) of the Italian Civil Code) issued by Italian resident corporations, and (iii) securities representing equity investments in Italian resident corporations, regardless of the place of residence of the issuer of such securities and of the place where the contract has been concluded.

The residence of the issuer for the purposes of FTT is the place where the issuer has its registered office.

Since the Company's registered office is not in Italy, transfers of ownership of the Ordinary Shares should not be subject to FTT.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

This disclosure is limited to the U.S. federal income tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the Ordinary Shares. Prospective investors should seek advice based on their particular circumstances from independent tax advisers.

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) (and, to the extent set forth below under "*—Non-U.S. Holders*" and "*—Information reporting and backup withholding tax*" to Non-U.S. Holders (as defined below)) of acquiring, holding and disposing of Ordinary Shares. This summary is based on the U.S. Internal Revenue Code, final, temporary and proposed U.S. Treasury regulations, and administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences of ownership of Ordinary Shares to vary substantially from the consequences described below.

This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) traders or dealers in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organisations; (vii) entities or arrangements that are treated as partnerships, or pass-through entities for U.S. federal income tax purposes, or persons that hold Ordinary Shares through such entities; (ix) holders that own (directly, indirectly or constructively) 10% or more of the voting power or value of the stock of the Company; (x) investors that hold Ordinary Shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (xi) U.S. Holders that have a functional currency other than the U.S. dollar; (xii) retirement plans or individual retirement accounts, and (xiii) U.S. expatriates and former long-term residents of the United States), all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address tax consequences applicable to holders of equity interests in a holder of the Ordinary Shares, U.S.

federal estate, gift, or alternative minimum tax considerations, Medicare contribution tax considerations, special tax accounting rules as a result of any item of gross income with respect to the Ordinary Shares being taken into account in an applicable financial statement, or non-U.S., state or local tax considerations. This discussion does not comment on all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances, and each prospective investor is encouraged to consult its own tax advisor regarding the U.S. federal, state, local and other tax consequences of the ownership or disposition of Ordinary Shares. This summary only addresses investors that will acquire Ordinary Shares in the Offer, and it assumes that investors will hold their Ordinary Shares as capital assets (generally, property held for investment).

No ruling has been or will be requested from the Internal Revenue Service (the **IRS**) in connection with any matter affecting us or prospective investors. The statements made herein may be challenged by the IRS and, if so challenged, may not be sustained upon review in a court.

For the purposes of this summary, a U.S. Holder (**U.S. Holder**) is a beneficial owner of Ordinary Shares that is or is treated as, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organised under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (iv) a trust if (1) its administration is subject to the primary supervision of a court within the United States and one or more U.S. persons, within the meaning of Section 7701(a)(30) of the U.S. Internal Revenue Code, have the authority to control all substantial decisions of the trust or (2) it has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person for U.S. federal income tax purposes. A non-U.S. Holder (**Non-U.S. Holder**) is a beneficial owner of Ordinary Shares that is neither a U.S. Holder nor an entity or arrangement treated as a partnership for U.S. federal income tax purposes. If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Ordinary Shares, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Any such partner or partnership should consult their tax advisors as to the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of Ordinary Shares.

Distributions

Subject to the passive foreign investment company (**PFIC**) rules discussed below, a distribution made by the Company on the Ordinary Shares (including any amounts withheld to reflect non-U.S. withholding taxes) generally will be treated as a dividend includible in the gross income of a U.S. Holder as ordinary income to the extent of the Company's current and accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent the amount of such distribution exceeds the Company's current and accumulated earnings and profits as so computed, the distribution will be treated first as a non-taxable return of capital to the extent of such U.S. Holder's adjusted tax basis in the Ordinary Shares and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale of such Ordinary Shares. The Company does not expect to maintain calculations of earnings and profits for U.S. federal income tax purposes. Therefore, a U.S. Holder should expect that such distribution will generally be treated as a dividend. Such dividends will not be eligible for the dividends received deduction allowed to corporations. The amount of any distribution of property other than cash will be the fair market value of the property on the date of the distribution.

"Qualified dividend income" received by individual and certain other non-corporate U.S. Holders is currently subject to reduced rates applicable to long-term capital gain if (i) the Company is a "qualified foreign corporation" (as defined below) and (ii) such dividend is paid on Ordinary Shares that have been held by such U.S. Holder for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date and certain other requirements are met. The Company generally will be a "qualified foreign corporation" if (i) it is eligible for the benefits of a comprehensive U.S. income tax treaty and (ii) it is not a PFIC with respect to the relevant U.S. Holder in the taxable year of the distribution or the immediately preceding taxable year. No assurance can be given that the Company will be eligible for the benefits of the comprehensive U.S. income tax treaty. As discussed below under "*Passive foreign investment company rules*", the Company does not believe that it was a PFIC for U.S. federal income tax purposes for its most recent taxable year, and does not expect to be a PFIC for the current year or in the foreseeable future. However, no assurances regarding the Company's PFIC status can be provided for any past, current or future taxable year. Noncorporate U.S. Holders should consult their tax advisers regarding the availability of these favourable rates on dividends in their particular circumstances.

Subject to certain conditions and limitations, non-U.S. withholding taxes on dividends (not in excess of any applicable reduced rate under an applicable U.S. income tax treaty) may be treated as foreign taxes eligible for credit against, or deduction in computing, United States federal income tax liability. Dividends on the Ordinary Shares generally will constitute income from sources outside the United States for foreign tax credit limitation purposes and will generally constitute passive category income. The rules governing the U.S. foreign tax credit are complex and the application thereof depends in large part on the U.S. Holder's individual facts and circumstances. Accordingly, U.S. Holders should consult their tax advisors regarding the availability of the U.S. foreign tax credit in their particular circumstances.

The U.S. dollar value of any distribution made by the Company in currency other than U.S. dollars (for the purposes of this section "*—Certain U.S. federal income tax considerations"* only, a foreign currency) must be calculated by reference to the exchange rate in effect on the date of receipt of such distribution by the U.S. Holder, regardless of whether the foreign currency is in fact converted into U.S. dollars. If the foreign currency so received is converted into U.S. dollars on the date of receipt, such U.S. Holder generally will not recognise foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into U.S. dollars on the date of receipt, such U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the

foreign currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Sale or other disposition

Subject to the PFIC rules discussed below, a U.S. Holder generally will recognise gain or loss for U.S. federal income tax purposes upon a sale or other disposition of its Ordinary Shares in an amount equal to the difference between the amount realised from such sale or disposition and the U.S. Holder's adjusted tax basis in such Ordinary Shares, as determined in U.S. dollars. Such gain or loss generally will be capital gain or loss and will be long-term capital gain (taxable at a reduced rate for non-corporate U.S. Holders, such as individuals) or loss if, on the date of sale or disposition, such Ordinary Shares were held by such U.S. Holder for more than one year. The deductibility of capital loss is subject to significant limitations. Such gain or loss realised generally will be treated as derived from U.S. sources.

A U.S. Holder that receives foreign currency from a sale or disposition of Ordinary Shares generally will realise an amount equal to the U.S. dollar value of the foreign currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the Ordinary Shares are treated as being traded on an "established securities market" for this purpose, the settlement date. If the Ordinary Shares are so treated and the foreign currency received is converted into U.S. dollars on the settlement date, a cash basis or electing accrual basis U.S. Holder will not recognise foreign currency gain or loss on the conversion. An accrual basis U.S. Holder that does not make the election referred to in the prior two sentences will recognise foreign currency gain or loss to the extent of any difference between the U.S. dollar amount realised on the date of the sale or other taxable disposition and the U.S. dollar value of the foreign currency received on the settlement date. If the foreign currency received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the foreign currency equal to the U.S. dollar value on the settlement date. Any foreign currency gain or loss on a conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

A U.S. Holder's initial tax basis in its Ordinary Shares generally will equal the U.S. dollar cost of such Ordinary Shares. If a U.S. Holder uses foreign currency to purchase Ordinary Shares, the cost of the Ordinary Shares will be the U.S. dollar value of the foreign currency purchase price determined by reference to the exchange rate on the date of purchase. However, if the Ordinary Shares are treated as traded on an established securities market and if such U.S. Holder is a cash basis or electing accrual basis taxpayer, the U.S. Holder will determine the U.S. dollar value of the cost of such Ordinary Shares by translating the amount paid at the exchange rate on the settlement date of the purchase.

Passive foreign investment company rules

In general, a corporation organised or incorporated outside the United States is a PFIC in any taxable year in which, after taking into account the income and assets of certain subsidiaries pursuant to applicable "look-through rules,", either (i) at least 75% of its gross income is classified as "passive income" or (ii) at least 50% of the average quarterly value attributable to its assets produce or are held for the production of passive income (including cash). Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on the present nature of its activities, including the Offer, and the estimates of the composition of its assets, including goodwill, and sources of its income, the Company believes that it was not a PFIC for the taxable year ended on 31 December 2020 and it will not be a PFIC for the taxable year ending on 31 December 2021. However, the determination of whether the Company is a PFIC is a fact-intensive determination made on an annual basis and the applicable law is subject to varying interpretation. Accordingly, no assurances regarding the Company's PFIC status can be provided for any past, current or future taxable year, and the Company's U.S. counsel expresses no opinion with respect to the Company's PFIC status for any prior, current or future taxable year.

If the Company is classified as a PFIC for any taxable year during which a U.S. Holder holds Ordinary Shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules that have a penalising effect, regardless of whether the Company remains a PFIC, on (i) any excess distribution that the Company makes to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the Ordinary Shares), and (ii) any gain realised on the sale or other disposition of Ordinary Shares. Under the PFIC rules:

(a) the excess distribution or gain will be allocated rateably over the U.S. Holder's holding period for the Ordinary Shares;

(b) the amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which the Company is classified as a PFIC (each, a pre-PFIC year), will be taxable as ordinary income;

(c) the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year; and

(d) the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

In addition, if the Company is a PFIC for the taxable year in which it pays a dividend or for the prior taxable year, the preferential tax rate discussed above with respect to dividends paid to certain non-corporate U.S. Holders will not apply.

If the Company is a PFIC for any taxable year during which a U.S. Holder holds Ordinary Shares and any of the Company's subsidiaries or other entities in which it holds a direct or indirect equity interest is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules and would be subject to U.S. federal income tax under the PFIC excess distribution regime on certain distributions by the

lower-tier PFIC and on gain from the disposition of shares of the lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of the Company's subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock. If a U.S. Holder makes this election with respect to Ordinary Shares, the holder will generally (i) include as ordinary income for each taxable year that the Company is a PFIC the excess, if any, of the fair market value of Ordinary Shares held at the end of the taxable year over the adjusted tax basis of such Ordinary Shares, and (ii) deduct as an ordinary loss in each such taxable year the excess, if any, of the adjusted tax basis of the Ordinary Shares over the fair market value of such Ordinary Shares held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the Ordinary Shares would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of Ordinary Shares and the Company ceases to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that the Company is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognises upon the sale or other disposition of Ordinary Shares in a year when the Company is a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election. The mark-to-market election is available only for "marketable stock", which is stock that is regularly traded on a qualified exchange or other market as defined in applicable U.S. Treasury regulations. There can be no guarantees that the Ordinary Shares will be treated as marketable stock for these purposes.

Because a mark-to-market election cannot technically be made for any lower-tier PFICs that the Company may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by the Company that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. The U.S. federal income tax treatment of transactions involving subsidiaries or entities classified as PFICs are complex and uncertain, and U.S. Holders are strongly encouraged to consult their own tax advisors regarding these rules.

The Company does not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns Ordinary Shares during any year in which the Company is a PFIC, the U.S. Holder generally will be required to file an IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) or successor form with respect to the Company, generally with the U.S. Holder's federal income tax return for that year. U.S. Holders should consult their tax adviser about the application of the PFIC rules.

Non-U.S. Holders

Subject to the discussion under "*—U.S. information reporting and backup withholding tax*" below, a Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any distributions made on the Ordinary Shares or gain from the sale, redemption or other disposition of the Ordinary Shares unless: (i) that distribution and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States (and, if required by an applicable income tax treaty, the distributions or gain is attributable to a permanent establishment or fixed base that such holder maintains in the United States); or (ii) in the case of any gain realised on the sale or exchange of Ordinary Shares by an individual Non-U.S. Holder, that Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

U.S. information reporting and backup withholding tax

Payments made through a U.S. paying agent or U.S. intermediary to a U.S. Holder may be subject to information reporting unless the U.S. Holder establishes that payments to it are exempt from these rules. Payments that are subject to information reporting may be subject to backup withholding if a U.S. Holder does not provide its taxpayer identification number and otherwise comply with the backup withholding rules. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a U.S. Holder's U.S. federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is timely provided to the IRS.

Certain U.S. Holders that own "specified foreign financial assets" that meet certain U.S. dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Ordinary Shares generally will constitute specified foreign financial assets subject to these reporting requirements unless the Ordinary Shares are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisors regarding the application of these disclosure requirements to their ownership of the Ordinary Shares.

GENERAL INFORMATION

Domicile, legal form and incorporation

The Company's legal and commercial name is Ariston Holding N.V. The Company is the legal successor of Ariston Thermo Holding S.p.A. (old), incorporated as a private joint stock company with limited liability (*società per azioni*) under the laws of Italy on 21 July 1986 as Merloni Invest S.p.A. Following the Restructuring (see "*Description of Share Capital and Corporate Structure—General*"), the Company was redomiciled to the Netherlands, converted into a Dutch public company with limited liability (*naamloze vennootschap*) and renamed Ariston Thermo Holding N.V. on 10 June 2021, effective 15 June 2021. On 16 September 2021, the Company was renamed Ariston Holding N.V. The Company operates under the laws of the Netherlands, is tax resident in Italy and its place of effective management is in Italy.

The Company is domiciled in the Netherlands. The Company's statutory seat (*statutaire zetel*) is in Amsterdam, the Netherlands and its registered office is at Via Broletto 44, 20121 Milan, Italy. The Company is registered with the Dutch trade register under number 83078738. The Company's telephone number is +390285672267. The Company's Legal Entity Identifier (**LEI**) is 815600CC86D25A205563. The Ordinary Shares' International Security Identification Number (**ISIN**) is NL0015000N33. The Company's website is www.aristongroup.com.

Corporate resolutions

Prior to the date of this Prospectus, the General Meeting has adopted a resolution to issue the New Offer Shares aimed at gross proceeds of €300 million and to exclude all pre-emptive rights in relation to the issuances of these new Ordinary Shares.

Pursuant to the Articles of Association, the Board will be the competent body to issue Shares and to restrict or exclude pre-emptive rights for a period of five years from the Settlement Date. The authority to issue Shares concerns all non-issued Shares of the Company's authorised capital. The authorisation of the Board can be withdrawn by the General Meeting. After this five-year period, Shares may be issued and pre-emptive rights may be restricted or excluded by the General Meeting or, if the General Meeting designated the Board to do so, by the Board.

In addition, pursuant to a resolution adopted by the General Meeting, the Board has been granted the authority for a period of 18 months following the Settlement Date to resolve that the Company shall acquire its own Ordinary Shares, up to a maximum of 10% of the total number of Ordinary Shares issued immediately following Settlement, provided that the Company will hold no more Ordinary Shares in treasury than at maximum 50% of the issued share capital, either through purchase on a stock exchange or otherwise, at a price, excluding expenses, not lower than the nominal value of the Ordinary Shares and not higher than an amount equal to 10% above the average closing price over a period of five days preceding the day of the agreement of acquisition of the Ordinary Shares. The Company may, without authorisation by the General Meeting, acquire its own Ordinary Shares for the purpose of transferring such Ordinary Shares to its employees under a scheme applicable to such employees, provided such Ordinary Shares are quoted on the price list of a stock exchange.

Independent auditors

The Annual Financial Statements have been audited by EY S.p.A. (**EY Italy**). The Interim Financial Statements have been reviewed by EY Italy. EY Italy's registered office is Via Lombardia 31, 00187 Rome, Italy, and it is registered under No. 70954 in the Register of Accountancy Auditors (*Registro dei Revisori Legali*) held by the Italian Ministry of Economy and Finance in compliance with the provision of Legislative Decree No. 39, 27 January 2010. EY Italy has issued an unqualified independent auditor's reports on the Annual Financial Statements.

The independent auditor's report on the separate financial statements of the Company as at and for the year ended 31 December 2020 is unqualified and contains the following emphasis of matter paragraph: "We draw attention to the introductory paragraph "General" of the explanatory notes to the financial statements, where directors describe the effects of the company branches' contributions and their accounting effects on the separate financial statements as at and for the year ended 31 December 2020. Our opinion is not modified in respect of this matter.".

The annual financial statements for the year ending 31 December 2021 will be audited by Ernst & Young Accountants LLP (**EY Netherlands**), whose principal place of business is at Boompjes 258, 3011 XZ Rotterdam, the Netherlands. EY Netherlands is registered with the Dutch trade register under number 24432944. The independent auditors (*registeraccountants*) of Ernst & Young Accountants LLP are members of the Royal Netherlands Institute of Chartered Accountants (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*) (**NBA**). The NBA is the professional body for accountants in the Netherlands.

No significant change

As at the date of this Prospectus, there has been no significant change in the financial performance and the financial position of the Group since 30 September 2021. See "*Operating and Financial Review—Current trading and recent developments*" for further information on the Company's current trading and recent developments.

Options or preferential rights in respect of Ordinary Shares

Save as disclosed under "*Management, Employees and Corporate Governance—Long term incentive plans*", or in the furtherance of, or related to, the Company is not party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any securities in the Company.

Expenses

Based on an Offer Price at the mid-point of the Offer Price Range and assuming the sale of the maximum number of Offer Shares, full payment of discretionary commission and full exercise of the Over-Allotment Option, the expenses, commissions and taxes related to the Offer and Admission are estimated at approximately €25 million and include, among other items, the fees due to AFM and Borsa Italiana S.p.A., the commission for the Underwriters and legal and administrative expenses, as well as publication costs and applicable taxes, if any. The underwriting commissions due to the Underwriters will be borne by the Company and the Selling Shareholders *pro rata* to the Offer Shares sold by them in the Offer. The other expenses, commissions and taxes related to the Offer and Admission will be borne by the Company. See also "*Reasons for the Offer and Use of Proceeds*" and "*Plan of Distribution*".

Available documents

Subject to any applicable securities laws, copies of the following documents will be available and can be obtained free of charge from the Company's website (www.aristongroup.com) from the date of this Prospectus (save for the Pricing Statement, which will be available after pricing of the Offer) until at least 12 months following the date of this Prospectus:

- this Prospectus;
- the Italian translation of the summary note (*nota di sintesi*);
- the Articles of Association (in Dutch, and an unofficial English translation);
- the Board rules (in English); and
- the Pricing Statement.

Incorporation by reference

The Articles of Association (the official Dutch version and an English translation thereof) are incorporated in this Prospectus by reference and, as such, form part of this Prospectus. The Articles of Association can be obtained free of charge from the Company's website through the following hyperlink:
https://aristongroup.com/media/files/4283_Ariston%20Holding%20N.V.%20-%20Statuten.pdf for the official Dutch version and https://aristongroup.com/media/files/4282_Ariston%20Holding%20N.V.%20-%20Articles%20of%20Association.pdf for the English translation.

No incorporation of website

Prospective investors should only rely on the information that is provided in this Prospectus or incorporated by reference into this Prospectus. The information on the website, (www.aristongroup.com), including websites accessible from hyperlinks on that website, does not form part of this Prospectus unless that information is incorporated by reference into this Prospectus. In addition, no other documents or information form part of, or are incorporated by reference, into this Prospectus. Other than this Prospectus, the Prospectus summary and the Articles of Association, the contents of the Company's website (www.aristongroup.com), or of websites accessible from hyperlinks on that website, have not been scrutinised or approved by the AFM.

Provision of information

For so long as Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Company will during any period in which the Company is neither subject to section 13 or 15(d) of the U.S. Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act. The Company is not currently subject to the periodic reporting requirements of the U.S. Exchange Act.

DEFINED TERMS

The following list of defined terms is not intended to be an exhaustive list of definitions, but provides a list of certain of the defined terms used in this Prospectus.

Admission	the admission of the Ordinary Shares to listing and trading on Euronext Milan
AFM	the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*)
Allocation	the allocation of the Offer Shares
Amaranta	Amaranta S.r.l., a company with limited liability (*società a responsabilità limitata*) incorporated under the laws of Italy, registered with the Milan-Monza-Brianza-Lodi Companies' Register under number 09550610969
Annual Financial Statements	the audited consolidated financial statements as at and for the years ended 31 December 2020, 2019 and 2018 and the notes thereto of Ariston Thermo Holding S.p.A. (old)
Ariston Thermo Holding S.p.A. (old)	Ariston Thermo Holding S.p.A., a joint-stock company (*società per azioni*) incorporated under the laws of Italy, which was registered with the Marche Companies' Register under number 01026940427 prior to the Restructuring
Articles of Association	the articles of association of the Company that will become effective immediately prior to Settlement, as amended
BNP PARIBAS	BNP PARIBAS, with its registered office in 51 rue 16, boulevard des Italiens, 75009 Paris, France
Board	the board (*bestuur*) of the Company
BofA Securities	BofA Securities Europe SA, with its registered office in 51 rue La Boétie, 75008 Paris, France
Borsa Italiana	Borsa Italiana S.p.A., a joint-stock company (*società per azioni*) incorporated under the laws of Italy, with registered office in Piazza degli Affari 6, 20123 Milan, Italy, who is, *inter alia*, the market operator of Euronext Milan
BRG	BRG Enterprise Solutions Ltd., a limited liability company incorporated under the laws of England and Wales, registered with Companies House under number 08148637, trading as BRG Building Solutions
CAGR	compound annual growth rate
CET	Central European Time
Chief Executive Officer	the chief executive officer of the Company
Citigroup	Citigroup Global Markets Europe AG, with its registered office at Reuterweg 16 (Frankfurter Welle), 60323 Frankfurt am Main, Germany
Company	Ariston Holding N.V., a public company with limited liability (*naamloze vennootschap*) governed by the laws of the Netherlands, registered with the Dutch trade register under number 83078738
Consob	the Italian authority for the supervision of financial markets (*Commissione Nazionale per le Società e la Borsa*)
Director	an Executive Director or a Non-Executive Director
Dutch Code	the Dutch corporate governance code dated 8 December 2016 as established under Article 2:391, subsection 5 of the Dutch Civil Code
Dutch FSA	the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder
Enterprise Chamber	the enterprise chamber of the court of appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*), the Netherlands

Equita SIM	Equita SIM S.p.A., with its registered office at Via Filippo Turati 9, 20121 Milan, Italy
ESG	environmental, social and governance
ESMA	the European Securities and Markets Authority
EUR, euro or €	the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the functioning of the European Community, as amended
Euronext Milan	Euronext Milan, a regulated market organised and managed by Borsa Italiana
Executive Director	a member of the Board appointed as executive director
Existing Offer Shares	up to 49,000,000 Ordinary Shares that will be offered by the Selling Shareholders in the Offer
EY Italy	EY S.p.A, a joint-stock company (*società per azioni*) incorporated under the laws of Italy, registered under No. 70954 in the Register of Accountancy Auditors (*Registro dei Revisori Legali*) held by the Italian Ministry of Economy and Finance in compliance with the provision of Legislative Decree No. 39, 27 January 2010
EY Netherlands	Ernst & Young Accountants LLP, a limited liability partnership incorporated under the laws of England and Wales, registered with the Dutch trade register under number 24432944.
Financial Statements	the Annual Financial Statements and the Interim Financial Statements
Firm Offer Shares	the New Offer Shares and the Existing Offer Shares
First Trading Date	the date on which trading in the Ordinary Shares on Euronext Milan commences which, subject to acceleration or extension of the timetable for the Offer, is expected to be on or around 26 November 2021
FSMA	Financial Services and Markets Act 2000
GDPR	Regulation (EU) 2016/678 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data
General Meeting	the general meeting (*algemene vergadering*) of the Company, being the corporate body, or where the context so requires, the physical meeting of shareholders
Goldman Sachs	Goldman Sachs Bank Europe SE, a public company (*societas Europaea*) incorporated under the laws of Germany, registered with the Companies register of Frankfurt am Main under number 114190
Group	the Company and its consolidated subsidiaries
Interim Financial Statements	the unaudited condensed consolidated interim financial statements as at and for the nine months ended 30 September 2021 and the notes thereto of the Company
IFRS	the International Financial Reporting Standards as adopted by the European Union
ISIN	International Security Identification Number
IMI – Intesa Sanpaolo	Intesa Sanpaolo S.p.A with its registered office in San Carlo's square 156, 10121 Turin (TO), Italy
Joint Bookrunners	the Joint Global Coordinators, BNP Paribas, BofA Securities, Citigroup and Equita SIM
Joint Global Coordinators	Goldman Sachs, IMI – Intesa Sanpaolo and Mediobanca
Lead Non-Executive Director	the lead Non-Executive Director of the Company
LEI	Legal Entity Identifier
Market Abuse Regulation	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, including any relevant delegated regulations

Mediobanca	Mediobanca - Banca di Credito Finanziario S.p.A., a joint-stock company (*società per azioni*) incorporated under the laws of Italy, registered with the Milan-Monza-Brianza-Lodi Companies' Register under number 00714490158
Member State	a member state of the European Economic Area
Merloni Holding	Merloni Holding S.p.A., a joint-stock company (*società per azioni*) incorporated under the laws of Italy, registered with the Marche Companies' Register under number 11142780151
MiFID II	EU Directive 2014/65/EU on markets in financial instruments, as amended
MiFID II Product Governance Requirements	the product governance requirements contained within MiFID II, Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures
Monte Titoli	Monte Titoli S.p.A., the authorised central securities depository for centralised administration, settlement and ancillary services in the Italian market
Multiple Voting Shares	the multiple voting shares in the capital of the Company, each with a nominal value of €0.20
New Offer Shares	such number of newly issued Ordinary Shares to be issued and offered by the Company in the Offer as will raise gross proceeds of approximately €300 million
Non-Executive Director	a member of the Board appointed as non-executive director
Non-IFRS Measures	non-IFRS financial measures, which are not liquidity or performance measures under IFRS, and which the Group considers to be alternative performance measures
Offer	private placements of the Offer Shares with certain institutional investors in various jurisdictions, including the Netherlands and Italy
Offer Period	subject to acceleration or extension of the timetable for the Offer, the period during which the offer will take place, from 9:00 CET on 18 November 2021 until 14:00 CET on 24 November 2021
Offer Price	the price per Offer Share, which is to be determined after the Offer Period has ended
Offer Price Range	the expected price range of €10.25 to €12.00 (inclusive) per Offer Share
Offer Shares	together, the Existing Offer Shares, the New Offer Shares and, unless the context indicates otherwise, the Over-Allotment Shares
Ordinary Shares	the ordinary shares in the capital of the Company, each with a nominal value of €0.01
Over-Allotment Option	the option granted to the Stabilisation Manager (on behalf of the Underwriters), exercisable within 30 calendar days after the First Trading Date, pursuant to which the Stabilisation Manager (on behalf of the Underwriters), may require the Selling Shareholders to sell the Over-Allotment Shares at the Offer Price
Over-Allotment Shares	the additional Ordinary Shares that are made available by the Selling Shareholders to be sold pursuant to the Over-Allotment Option
Order	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended
PDMR	persons discharging managerial responsibilities within the meaning of the Market Abuse Regulation
PFIC	a passive foreign investment company
Pricing Statement	the press release in which the Offer Price, the exact number of Offer Shares to be sold in the Offer and the maximum number of Over-Allotment Shares will be set out
Prospectus	this prospectus dated 17 November 2021

Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 and includes any relevant delegated regulations, as amended
QIBs	qualified institutional buyers, as defined in Rule 144A
Redomiciliation	the cross-border conversion of the Company whereby the Company was redomiciled to the Netherlands, converted into a public company with limited liability (*naamloze vennootschap*) and renamed Ariston Thermo Holding N.V. on 10 June 2021, effective 15 June 2021
Regulation S	Regulation S under the U.S. Securities Act
Relevant Persons	persons who are "qualified investors" within the meaning of Article 2 of the UK Prospectus Regulation and who: (i) have professional experience in matters relating to investments falling within the definition of "investment professionals"' in Article 19(5) of the Order; (ii) are high net worth bodies corporate, unincorporated associations and partnerships and the trustees of high value trusts, as described in Article 49(2) of the Order; (iii) are outside the United Kingdom; or (iv) are other persons to whom it may lawfully be communicated
Restructuring	the reverse merger of Ariston Thermo Holding S.p.A. (old) and Thermo International S.r.l. in June 2021 whereby Ariston Thermo Holding S.p.A. (old) disappeared into Ariston Thermo International S.r.l. as the surviving entity; as a result of the reverse merger all direct subsidiaries of Ariston Thermo Holding S.p.A. (old) became direct subsidiaries of Ariston Thermo International S.r.l. and subsequently Ariston Thermo International S.r.l. was renamed Ariston Thermo Holding S.p.A.
Rule 144A	Rule 144A under the U.S. Securities Act
SEC	the U.S. Securities and Exchange Commission
Selling Shareholders	Merloni Holding and Amaranta
Senior Management Team	the senior management team of the Group
Settlement	the payment (in euro) for and delivery of the Ordinary Shares under the Offer
Settlement Date	the date on which Settlement occurs, which is expected to be on or around 26 November 2021, subject to acceleration or extension of the timetable of the Offer
Shareholder Rights Directive II	Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement
Shareholders Agreement	the shareholders' agreement between the Selling Shareholders dated 26 October 2021
Share Lending Agreement	the share lending agreement dated on or around the date of the Pricing Statement between the Selling Shareholders and the Stabilisation Manager
Shares	together, the Ordinary Shares and the Multiple Voting Shares
Sponsor	Mediobanca
Stabilisation Manager	Mediobanca
UK Prospectus Regulation	means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018
Underwriters	each of the Joint Global Coordinators and the Joint Bookrunners
Underwriting Agreement	the underwriting agreement with respect to the offer and sale of the Offer Shares in connection with the Offer between the Company, the Selling Shareholders and the Underwriters dated 17 November 2021
United States or **U.S.**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland
U.S. Exchange Act	the United States Securities Exchange Act of 1934, as amended

U.S. Internal Revenue Code	the U.S. Internal Revenue Code of 1986, as amended
U.S. Securities Act	the U.S. Securities Act of 1933, as amended
Voting Limitation	the voting limitation included in the Articles of Association, pursuant to which a shareholder casting a number of votes exceeding two times the total number of Ordinary Shares issued and outstanding at the record date of a General Meeting may never cast a number of votes on its Shares exceeding the greater of (a) two times the total number of Ordinary Shares issued and outstanding at the record date of a General Meeting and (b) nine times the total number of 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 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

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Ariston Holding N.V.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

at 30 September 2021

Ariston Holding N.V.

Review report on the interim condensed consolidated financial statements as of 30 September 2021

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Building a better working world

Review report on the interim condensed consolidated financial statements

To the Board of Directors of
Ariston Holding N.V.

Introduction

We have reviewed the interim condensed consolidated financial statements of Ariston Holding N.V. and its subsidiaries (the "Ariston Group") as of 30 September 2021, comprising the statement of financial position as of 30 September 2021, the income statements, the statements of comprehensive income, the statements of cash flows, the statements of changes in equity for the nine months periods ended on 30 September 2021 and 2020, and the related explanatory notes. The Directors of Ariston Holding N.V. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting as adopted by the European Union (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

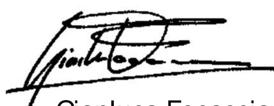
We conducted our review in accordance with International *Standard on Review Engagements* 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Ariston Group as of 30 September 2021 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting as adopted by the European Union (IAS 34).

Ancona, 5 November 2021

EY S.p.A.



Gianluca Focaccia
(Auditor)

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Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
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ARISTON GROUP

INTERIM CONSOLIDATED INCOME STATEMENT
AS AT 30 SEPTEMBER 2021

(in thousand €)	notes	30/09/2021		30/09/2020	
REVENUE AND INCOME					
Revenue	1.1	1,412,294	100.0%	1,129,756	100.0%
Other revenues and income	1.1	24,129	1.7%	17,128	1.5%
Total Revenue and Income	1.1	**1,436,422**	**101.7%**	**1,146,884**	**101.5%**
OPERATING EXPENSES					
Change in inventories	1.2	-113,291	-8.0%	-33,428	-3.0%
Raw materials, consumables and goods for resale	1.2	721,604	51.1%	501,605	44.4%
Services	1.3	306,365	21.7%	226,915	20.1%
Personnel	1.4	307,586	21.8%	284,695	25.2%
Amortisation	2.1/2.2	56,228	4.0%	57,995	5.1%
Provisions	1.5	12,026	0.9%	12,481	1.1%
Write-downs		-49	0.0%	-37	0.0%
Other operating expenses	1.6	23,147	1.6%	21,430	1.9%
Total operating expenses		**1,313,616**	**93.0%**	**1,071,657**	**94.9%**
OPERATING PROFIT	**1.7**	**122,807**	**8.7%**	**75,227**	**6.7%**
FINANCIAL INCOME AND EXPENSE					
Financial Income	1.8	2,821	0.2%	2,379	0.2%
Financial Expense	1.9	-8,955	-0.6%	-12,767	-1.1%
Exchange rate gains/losses	1.10	1,336	0.1%	-2,165	-0.2%
Total financial Income and Expense		**-4,798**	**-0.3%**	**-12,553**	**-1.1%**
PROFIT (LOSS) ON INVESTMENTS					
Other profit (loss) on investments		-3,266	-0.2%	1,358	0.1%
Total profit (loss) on investments		**-3,266**	**-0.2%**	**1,358**	**0.1%**
PROFIT BEFORE TAX		**114,742**	**8.1%**	**64,032**	**5.7%**
TAXES	1.11	**1,736**	**0.1%**	**17,609**	**1.6%**
			1.5%		27.5%
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**113,006**	**8.0%**	**46,423**	**4.1%**
NET PROFIT/LOSS FOR THE PERIOD		**113,006**	**8.0%**	**46,423**	**4.1%**
Net profit/loss for the period attributable to non-controlling Interests		**-139**	**0.0%**		
Net profit/loss for the period attributable to equity holders of the Parent		**113,145**	**8.0%**	**46,423**	**4.1%**
Basic and diluted earnings per outstanding share		**0.38**		**0.15**	

ARISTON GROUP
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS AT 30 SEPTEMBER 2021

(in thousand €)	30/09/2021	31/12/2020	30/09/2020
NET PROFIT/LOSS FOR THE PERIOD	**113,006**	**96,687**	**46,423**
Items that will not be reclassified to the income statement			
Actuarial gains (losses) (*)	2,593	-1,933	-1,665
Sub-total of items that will not be reclassified to the income statement	***2,593***	***-1,933***	***-1,665***
Items that may be reclassified to the income statement			
Gains (losses) from the translation of financial statements	18,150	-40,221	-42,505
Net gains (losses) under cash flow hedge reserve (*)	-1,217	113	1,107
Sub-total of Items that may be reclassified to the income statement	***16,933***	***-40,108***	***-41,398***
Total other gains (losses) net of taxes	**19,526**	**-42,041**	**-43,063**
TOTAL PROFIT/LOSS FOR THE PERIOD	**132,532**	**54,646**	**3,360**
Attributable to:			
- Equity holders of the Parent	132,671	54,646	3,360
- Non-controlling Interests	-139	0	0

(*) Tax effect included

ARISTON GROUP
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

(in thousand €)	notes	30/09/2021	31/12/2020
Assets			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	2.1	291,048	285,737
Other intangible assets	2.1	106,100	105,698
Total intangible assets	2.1	397,148	391,435
Property, plant and equipment			
Land and buildings	2.2	152,846	147,135
Plant and machinery	2.2	99,239	106,756
Other property, plant and equipment	2.2	89,751	87,443
Total property, plant and equipment	2.2	341,836	341,333
Investments in associates & Joint ventures		2,654	0
Deferred tax assets	2.3	125,397	58,304
Financial assets		4,746	3,878
Non-current financial assets		0	5,127
Other non-current assets		8,376	7,795
Total non-current assets		**880,158**	**807,873**
CURRENT ASSETS			
Inventories	2.4	384,821	265,490
Trade receivables	2.5	227,571	227,766
Tax receivables		18,978	12,121
Current financial assets		11,700	10,000
Other current assets		52,413	37,087
Cash and cash equivalents		391,705	452,458
Total current assets		**1,087,188**	**1,004,922**
ASSETS HELD FOR SALE		**299**	**304**
TOTAL ASSETS		**1,967,645**	**1,813,099**

(in thousand €)	notes	30/09/2021	31/12/2020
LIABILITIES AND EQUITY			
TOTAL EQUITY			
Share capital	3.1	45,750	41,845
Share premium reserve	3.1	-	24,008
Retained earnings and other reserves	3.1	372,158	283,976
Profit/loss for the period attributable to equity holders of the Parent	3.1	113,145	96,687
Total equity attributable to equity holders of the Parent	3.1	**531,053**	**446,517**
Non-controlling interests and reserves		15	0
Profit/loss for the period attributable to non-controlling interests		-139	0
Total equity attributable to non-controlling interests		**-124**	**0**
Total equity	3.1	**530,929**	**446,517**
NON-CURRENT LIABILITIES			
Tax payables		6,507	0
Deferred tax liabilities	2.3	48,537	32,150
Non-current provisions	3.2	51,278	51,827
Net employee defined benefit liabilities		54,071	58,263
Non-current loans		440,416	389,874
Other non-current liabilities		10,904	40,278
Total non-current liabilities		**611,713**	**572,392**
CURRENT LIABILITIES			
Trade payables	3.3	430,642	364,061
Tax payables		45,019	21,640
Current provisions	3.2	35,823	31,276
Current financial liabilities		81,691	33,337
Current loans		20,129	188,009
Other current liabilities	3.4	211,698	155,868
Total current liabilities		**825,002**	**794,191**
LIABILITIES HELD FOR SALE		**0**	**0**
TOTAL LIABILITIES AND EQUITY		**1,967,645**	**1,813,099**

(in thousand €)				30/09/2021	30/09/2020
		CHANGES IN CASH AND CASH EQUIVALENTS			
	-	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD**		**430,714**	**295,786**
		Effect of changes in exchange rates		10,802	-14,120
		Changes in short-term financial position		-76,379	313,686
	-	**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**		**365,137**	**595,352**
		STATEMENT OF CASH FLOWS			
		CASH FLOW FROM OPERATING ACTIVITIES			
	>	*NET PROFIT/LOSS FOR THE PERIOD*		113,006	46,423
		Adjustments for:			
	-	*Taxes*		1,736	17,609
	-	*Income and expense from financing and investment activities*		8,064	11,195
1	-	**OPERATING PROFIT**		**122,807**	**75,227**
2	-	Amortisation		56,228	57,995
		of which: Amortisation for right-of-use fixed assets		*15,551*	*17,527*
3	-	Provisions		12,026	12,481
4	-	Other adjustments		-905	-121
5	=	**GROSS OPERATING CASH FLOW**	(+1+2+3+4)	**190,156**	**145,582**
6	-	Change in trade receivables		994	18,153
7	-	Change in inventories		-113,290	-33,531
8	-	Change in trade payables		61,083	-33,046
9	-	Change in other short-term assets/liabilities		-2,034	17,658
10	-	Change in provisions		-7,826	-6,290
11	-	Tax paid		-26,996	-16,088
12	=	**NET OPERATING CASH FLOW**	(+5+6+7+8+9+10+11)	**102,087**	**92,438**
		CASH FLOW FROM INVESTMENT ACTIVITIES			
13	-	Investments in intangible assets		-9,378	-7,860
14	-	Investments in property, plant and equipment		-29,414	-9,811
15	-	Investments in financial assets		-4,706	-26,208
16	-	Change in the scope of consolidation		0	222
17	-	Value of tangible and intangible assets sold		1,360	2,865
18	=	**CASH FLOW FROM INVESTMENT ACTIVITIES**	(+13+14+15+16+17)	**-42,138**	**-40,792**
		CASH FLOW FROM FINANCING ACTIVITIES			
19	-	Financial income/expense collected/paid		-1,825	-4,838
		of which: Financial expense pursuant to IFRS16		*-803*	*-1,239*
20	-	Income/expense on exchange rate realized		-4,299	-1,884
21	-	Increase/decrease in short-term financial payables		40,299	149,137
22	-	New loans		202,501	170,011
23	-	Loans repayment		-324,737	-18,452
24	-	Dividends		-48,267	-28,416
25	-	Capital and reserves increase/distribution		0	0
26	-	Other changes		0	-3,516
27	-	Buyback/sale of treasury shares		0	0
28	=	**CASH FLOW FROM FINANCING ACTIVITIES**	(19+ / +27)	**-136,328**	**262,040**
29	=	**CASH FLOW FROM CONTINUING OPERATIONS**	(12+18+28)	**-76,379**	**313,686**
30	=	**CASH FLOW FROM DISCONTINUED OPERATIONS**		**0**	**0**
31	=	**TOTAL CASH FLOW**	(29+30)	**-76,379**	**313,686**

ARISTON GROUP
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 SEPTEMBER 2021

CHANGES IN EQUITY *(in thousand €)*	Share capital	Treasury shares	Share premium reserve	Legal reserve	Reserve for gains/losses in equity	Actuarial gains (losses)	Retained earnings (losses) and other reserves	Profit/ loss for the year	Total attributable to the Group	Total attributable to non controlling interest	Total net equity
Balances as at 31 December 2020	**41,845**	**-13,452**	**-82,289**	**8,369**	**-1,131**	**-30,531**	**427,019**	**96,687**	**446,517**	**0**	**446,517**
Consolidated profit allocation							96,687	-96,687	0	0	0
Payment of dividends							-48,268		-48,268	0	-48,268
Other changes	3,905	13,452	82,289	-8,369			-91,145		133	15	148
Comprehensive income (loss)					-1,217	2,593	18,150	113,145	132,671	-139	132,532
Balances as at 30 September 2021	**45,750**	**0**	**0**	**0**	**-2,348**	**-27,938**	**402,443**	**113,145**	**531,053**	**-124**	**530,929**

"Other changes" is related to the extraordinary operation (reverse merger) of Ariston Thermo Holding Spa / Ariston Thermo Internation Srl effective from 1 January 2021 in which the result is the combined effect of capital increases and the annulment of own shares that in opening balances are shown with negative sign

CHANGES IN EQUITY *(in thousand €)*	Share capital	Treasury shares	Share premium reserve	Legal reserve	Reserve for gains/losses in equity	Actuarial gains (losses)	Retained earnings (losses) and other reserves	Profit/ loss for the year	Total attributable to the Group	Total attributable to non controlling interest	Total net equity
Balances as at 31 December 2019	**41,845**	**-13,452**	**-82,289**	**8,369**	**-1,244**	**-28,598**	**508,835**	**89,017**	**522,483**	**0**	**522,483**
Consolidated profit allocation							89,017	-89,017	0	0	0
Payment of dividends							-28,416		-28,416	0	-28,416
Other changes							-146		-146	0	-146
Comprehensive income (loss)					1,107	-1,665	-42,505	46,423	3,360	0	3,360
Risultato netto d' esercizio									0	0	0
Balances as at 30 September 2020	**41,845**	**-13,452**	**-82,289**	**8,369**	**-137**	**-30,263**	**526,785**	**46,423**	**497,281**	**0**	**497,281**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- at 30 September 2021 -

INTRODUCTION

During the reporting period Ariston Holding NV ownership structure is as follow: Merloni Holding SpA owns 88%, Amaranta Srl owns 12%.

Last year, in October 2020, as part of a process to reorganise and streamline the Group's corporate structure by turning the Parent Company into a holding company that exclusively manages and coordinates its investees, it was executed the operational and industrial business unit transfer previously under the ownership of the Parent Company, Ariston Thermo Holding Spa, into a new entity, wholly owned by the transferor, named Ariston Thermo SpA.

After such a step, during this reporting period, within the broader corporate reorganization of the Ariston Group, aiming to transform Ariston Thermo Holding Spa in a company managing equity investments, it was proceeded with the merger of the company Ariston Thermo Holding Spa in the wholly owned subsidiary Ariston Thermo International Srl, that, contextually, became a Spa company.

As a result, the totality of the assets of the former - represented by equity investments in subsidiaries – were included in the assets of the acquirer which, effective from the merger deed, 1 June, renamed itself in Ariston Thermo Holding Spa.

The operation aims to strengthen, within the Group, the role of holding company and furtherly simplify the corporate organization, eliminating the role of sub-holding currently performed by Ariston Thermo International Srl which was no longer needed, keeping unaltered accounting balances, the control and governance.

After the merger completion, the last step of the reorganization took shape.

Ariston Thermo Holding Spa was then re-domiciliated in The Netherlands as Ariston Thermo Holding NV, changing its Articles of Association and establishing its registered office in Amsterdam, effective date the 15 of June. The 16th of September the company changed its name in Ariston Holding NV.

The Company (hereafter also the "Parent Company") is a Public Limited Liability Company incorporated 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 Parent Company is having as primarily business the financial holdings activities meanwhile its subsidiaries (hereinafter the "subsidiaries") and jointly with the Parent Company ("Group") are primarily active in the business of the production and distribution of water and space heating and service solutions.

Here below are the main accounting and measurement criteria applied to the preparation of the interim consolidated financial statements. The standards adopted are compliant with those applied to the preparation of the comparative statements of equity and financial position.

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

It should also be noted that the model adopted for the statement of financial position contains a "current/non-current item" breakdown, whereas the model adopted for the income statement classifies costs "by type".

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 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 interim consolidated financial statements in compliance with the standards hereunder described.

The interim consolidated financial statements at 30 September 2021 have been approved by the Board of Directors on 28 October 2021 and subjected to limited review by EY.

COMPLIANCE WITH ACCOUNTING STANDARDS

The interim consolidated financial statements at and for the nine-month period ended on September 30, 2021 (the "Interim Consolidated Financial Statements") included in this Interim Report have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and in accordance with IFRS as endorsed by the European Union, and in particular, in compliance with *IAS 34 - Interim Financial Reporting*. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020 and as at 30 June 2021.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. 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 2021, but do not have an impact on the interim consolidated financial statements of the Group.

SCOPE OF CONSOLIDATION

The interim 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 NV either through a direct or indirect equity ownership, with the majority of voting rights at shareholders' 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. Entities are not consolidated if their consolidation, given their operations (e.g., companies that are not yet or no longer operative, or expected to become operative, and companies that have nearly completed the liquidation process), would be quantitatively and qualitatively immaterial in terms of a correct presentation of the Group's financial position and economic result for the year. The exclusion from the consolidation of some subsidiaries, which are not significant either individually or considered together, did not entail a material impact for the purposes of the correct representation of the Group's equity, income and financial situation (in accordance with the provisions of the Framework of the international accounting standards as so defined by IAS 1 – IAS 8).

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 lose the control them. The consolidation, prepared on a line-by-line basis, was carried out using, for all subsidiaries, a specific reporting package, written based on the IFRS standards adopted by the Group, reclassifying and/or rectifying the accounting data approved by the corporate bodies of the respective companies.

Compared to 31 December 2020, the scope of consolidation is changed due to the following transactions:

- In February 2021, Ingrado Srl was incorporated, fully owned by Ariston Holding NV. The company covers the On line sales channel. No material impact in the interim consolidated financial statements is brought by the newly established company.
- In June 2021, the parent company Ariston Thermo Holding Spa merged by incorporation into the wholly-owned subsidiary Ariston Thermo International Srl that contextually was re-nominated as Spa company and taking the same name as the incorporated company. This operation was part of a broader corporate reorganization, consisting on the shaping of Ariston Thermo Holding in a company exclusively engaged in the management of equity investments.
- In June 2021, ATAG Heating BV acquired the 24,5% of Haas Heating BV. Purchase price and earn out program is defined as euro 2,6 million. The company is defined as under significant Group influence and is therefore treated as a joint venture, thus valuing the participation with the equity method.
- In August 2021, the Italian subsidiary Marchi e Brevetti Srl merged by incorporation into Ariston Thermo Spa with retroactive accounting effects as of 1 January 2021.

NOTES TO THE FINANCIAL STATEMENTS

INCOME STATEMENT

NOTE 1.1 – REVENUE AND INCOME

During 2021, the Group recorded revenue of € 1,412,294 thousand, compared to € 1,129,756 thousand in the previous year, with an increase of € 283 million (+25.0%).

The increase in sales is fully organic, where no variation within the scope of consolidation are reported, and negatively affected by exchange rates, which amounted to a negative € 16.9 million (-1.5%) compared to previous year.

The Revenue item can be broken down as follows:

REVENUE AND INCOME *(in thousand euro)*	30/09/2021	30/09/2020
Revenues from sales	1,306,753	1,028,966
Revenues from services	96,719	95,074
Other revenues	8,821	5,716
Total	**1,412,294**	**1,129,756**
Other operating income	24,129	17,128
Total revenue and income	**1,436,422**	**1,146,884**

The overall IFRS15 revenue effect in the components of Rights of return, Service type, Payable to customers and cash discount is, for September 2021, € 14.7 million and for September 2020 € 12.8 million.

"Other operating income" totalled € 24,129 thousand at 30 September 2021 and € 17,128 thousand at 30 September 2020: in accordance with IAS 37 par. 59 the Group reclassified the item related to the reversal of provisions, totalling € 1,697 thousand into the notes 1.5 - "Provisions" and 1.4 – "Personnel costs", in order to make the balance comparable between 2021 and 2020.

"Other operating 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 include, mainly, extraordinary income related to no longer due obligations; the gains on the disposal of fixed assets and other income.

At 30 September 2021, they totalled € 24,129 thousand, an increase of € 7,001 thousand compared to the same period of previous year, mainly due to contingency gains and Ecobonus accounting mechanism (€ 6.1 million).

Segment information

As per IFRS 8 par.12, after a qualitative assessment carried out by the Group, was decided to group the 3 business division in a unique segment of reporting.

Seasonality of operations

The segment includes the division Thermal Comfort, Burners and Components. It is affected by seasonality among first and second half of the year, where in the latter, the fourth quarter is usually the strongest one, being driven by winter season and its low climate temperatures where the demand of products portfolio increase.

NOTE 1.2 – RAW MATERIALS, CONSUMABLES AND GOODS FOR RESALE

At 30 September 2021, the "Purchase cost of raw materials, consumables and goods for resale" amounted to € 721,604 thousand, increased by € 219,999 thousand 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 41.4% in September 2020, to 43.1%, largely due to a significant increase in prices, starting from first quarter 2021, for the most relevant raw materials (steel, copper, polypropylene) used up by Ariston Group.

NOTE 1.3 - SERVICES

"Costs for services" amounted to € 306,365 thousand versus € 226,915 thousand at September 2020, increased by € 79,450 thousand, driven by volume.

The generalised contraction and optimisation in costs carried out during 2020, related to Covid-19 pandemic came to an end from first quarter, consequently, in the first nine months of 2021 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 "Logistic and transport" (both effect volume and prices), "Sub-contracted work" (due to higher volumes manufactured) and "Bonuses and commissions".

The increase in "Consulting services" was mainly due to the end of the generalised contraction in costs inducted by the Covid-19 pandemic and to the Ecobonus accounting mechanism.

NOTE 1.4 - PERSONNEL COSTS

In September 2021, "Personnel costs" amounted to € 307,586 thousand, increased by € 22,891 thousand compared with the same period of the previous year.

"Personnel costs" totalled € 307,586 thousand at 30 September 2021 and € 284,695 thousand at 30 September 2020: in accordance with IAS 37 (paragraph 59), the Group reclassified the item relating to the reversal of provisions, totalling € -18 thousand, out of the note 1.1 - "Revenue and income", in order to make the balance comparable between 2021 and 2020.

The aggregate rose by € 22,891 thousand compared to the same period of the previous year, due to the normal trend of salary inflation (fixed and variable components, including long-term incentive plans) in the various countries where the Group operates, also following the organisational changes.

At 30 September 2021, the Group's workforce is 7,692 versus the December 2020 7,519 and 7,384 of September 2020.

NOTE 1.5 - PROVISIONS

During the first nine months of 2021, "Provisions" were recognised for € 12,026 thousand versus € 12,481 thousand in the same period of 2020. In detail as follow:

PROVISIONS *(in thousand euro)*	**30/09/2021**	**30/09/2020**
Bad debt provision	1,027	1,093
Product warranty provision	7,009	5,421
Provision for installation	1,701	2,126
Provision for legal disputes	-106	494
Provision for restructuring	2,978	2,587
Other provisions	-583	760
Total	**12,026**	**12,481**

In accordance with IAS 37 (paragraph 59), the Group reclassified the item relating to the reversal of provisions, totalling € 1,715 thousand, out of the note 1.1 - "Revenue and income", in order to make the balance comparable between 2021 and 2020.

The total amount is decreasing compared to the same period of the previous year and the composition changed; higher "Product warranty provision" and less "Provision for legal disputes" and "Other provisions".

NOTE 1.6 - OTHER OPERATING EXPENSES

"Other operating expenses" amounted to € 23,147 thousand, versus € 21,430 thousand of the same period of the previous year, and can be detailed as follows:

OTHER OPERATING EXPENSES *(in thousand euro)*	**30/09/2021**	**30/09/2020**
Non-income tax and taxes	5,310	4,129
Losses on receivables	945	604
Office supplies and printing	1,392	1,211
Concession rights and other	2,268	2,750
Subsidies and contributions	457	630
Other	12,776	12,107

Total	23,147	21,430

This item includes all ordinary operating expenses that cannot be recognised under other items.

Other operating expenses rose by € 1,717 thousand compared with same period of previous year, mostly due to an increase on the non-periodic losses (September 2021 € 5.5 million and September 2020 € 4.3 million).

NOTE 1.7 – OPERATING PROFIT

In September 2021 "Operating profit", amounted to € 122,807 thousand compared to €75,277 thousand as of September 2020. The bold increase is explained by the above detailed variances.

NOTE 1.8 - FINANCIAL INCOME

"Financial income" had a balance of € 2,821 thousand at the end of the period, up compared to the value of € 2,379 thousand at 30 September 2020. The item can be detailed as follows:

FINANCIAL INCOME *(in thousand euro)*	30/09/2021	30/09/2020
Interest income on bank current accounts	1,244	1,326
Interest income and discounts received on payments	54	51
Financial income on provisions for employee benefits	203	931
Other financial income	1,320	70
Total	**2,821**	**2,379**

The year-on-year change was largely attributable to the item "Other financial income" increased of € 1,250 thousand from 30 September 2020, largely due to the impact of Ecobonus, the State aid for restoration Italy, of which the company started to participate on December 2020.

"Interest income on bank current accounts" was down and largely referred to the Vietnamese and South African subsidiaries as a result of the decline in interest rates and available cash. "Financial income on provisions for employee benefits" reduced as a result of the change in the average actuarial rate as per IAS 19 of the Swiss company.

The other items making up the total were largely unchanged.

NOTE 1.9 - FINANCIAL EXPENSE

This item shows a balance of € 8,955 thousand versus a balance of € 12,767 thousand at 30 September 2020. The item can be detailed as follows:

FINANCIAL EXPENSE *(in thousand euro)*	30/09/2021	30/09/2020
Interest expense on MLT bank loans	4,008	6,054
Interest expense on ST bank loans	278	516
Interests on financial leasing	803	1,239
Financial expense on provisions for employee benefits	499	1,427
Other financial expense	3,368	3,532
Total	**8,955**	**12,767**

Compared to the previous year, "Financial Expenses" was decreased of € 3,812 thousand, mostly due to the item "Interest expense on MLT bank loans" because of the decreased drawdown on revolving lines of credit.

The decrease in "Financial expense on provisions for employee benefits" is the result of the change in the average actuarial rate as per IAS 19 of the Swiss associate and "Other financial expense", largely attributable to the reduction in interest on discounting from the fair value measurement of the obligations associated with the acquisitions made in previous periods, under which put and call options are to be exercised in the future to obtain total control.

NOTE 1.10 - EXCHANGE RATE GAINS/LOSSES

"Exchange rate gains/losses" show an overall positive balance of € 1,336 thousand, which can be broken down as follows:

EXCHANGE RATE GAINS/LOSSES *(in thousand euro)*	30/09/2021	30/09/2020
Exchange rate gains	12,739	16,238
Exchange rate losses	-17,038	-18,122
Unrealised exchange rate gains	7,946	9,344
Unrealised exchange rate losses	-2,311	-9,625
Total	**1,336**	**-2,165**

"Exchange rate gains and losses" include the monetary changes on the accounting entries that were realised at the end of the reporting period; "Unrealised exchange rate gains and 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 positively affected by revaluation in the US dollar and Russian ruble against Euro and US dollar.

NOTE 1.11 – TAXES

The taxes recognised in the consolidated income statement, compared with the profit before tax, are the following:

TAXES *(in thousand euro)*	30/09/2021	30/09/2020	Delta
Profit before taxes	**114,742**	**64,032**	**50,710**
Current taxes	51,611	22,943	28,668
Deferred taxes	-49,875	-5,334	-44,541
Total taxes	**1,736**	**17,609**	**-15,873**

Current and deferred taxes booked for the nine months ended September 30, 2021 and 2020 are € 1,736 thousand and € 17,609 thousand respectively.

The increase in current taxes for the nine months ended September 30, 2021 in respect to 2020 equal to 28,668 thousand euro is mainly due to:

(i) the 3% withholding tax due to the revaluation of tangible and intangible assets carried out in Italy for statutory and tax purposes pursuant to art. 110 of the Law Decree n. 104/2020, converted in the Law n. 126/2020 equal to € 19,452 thousand, and

(ii) the increase of profit before taxes in the various jurisdiction in which the Group operates.

The increase of the deferred tax assets for the nine months ended September 30, 2021 in respect to 2020 is equal to € 44,541 thousand and it is mainly due to the revaluation of tangible and intangible assets carried out in Italy for statutory and tax purposes pursuant to art. 110 of Law Decree n. 104/2020, converted in the Law n. 126/2020 and not recognized in the IFRS financial statement. The revaluation and its related tax effects mainly deriving from the change of the dividend policy had a net impact on deferred taxes equal to € 40,305 thousand for the first nine month ended September 2021.

The reconciliation of the differences between the theoretical income taxes at the parent statutory rate (24%) and the total income taxes is as follows:

EFFECTIVE TAX RATE RECONCILIATION *(in thousand euro)*	30/09/2021	%
Taxes at nominal Tax Rate	**27,538**	**24.0%**
Revaluation effect on September 30	-30,685	-26.7%
IRAP	4,060	3.5%
Tax benefit recorded in Italy	-1,453	-1.3%
Foreign income taxed at different rates	-1,221	-1.1%
Deferred taxes not recognized	2,138	1.9%
Other	1,360	1.2%
Effective Taxes	**1,736**	**1.5%**

STATEMENT OF FINANCIAL POSITION – ASSETS

NOTE 2.1 - INTANGIBLE ASSETS

At 30 September 2021, "Intangible assets" amounted to € 397,148 thousand, increased by a net amount of € 5,713 thousand compared to 31 December 2020, net of the amortisation expense for the period of € 13,377 thousand, in addition to other changes.

The amortisation expense for the period is recognised under the appropriate item in the income statement.

Details of and changes in intangible assets are the following:

INTANGIBLE ASSETS *(in thousand euro)*	GOODWILL NET VALUE	OTHER INT. ASSETS GROSS	PROV.	NET	TOTAL GROSS	PROV.	NET
As at 31.12.2020	**285,737**	**197,575**	**-91,877**	**105,698**	**483,313**	**-91,877**	**391,435**
Increases	0	9,378	0	9,378	9,378	0	9,378
Decreases	0	0	0	0	0	0	0
Revaluations/Write-downs	-1,049	0	0	0	0	-1,049	-1,049
Amortisation	0	0	-13,377	-13,377	0	-13,377	-13,377
Exchange rate effect	6,302	1,671	-849	822	7,973	-849	7,124
Other	60	981	2,598	3,579	1,040	2,598	3,639
Total changes	**5,311**	**12,029**	**-11,628**	**401**	**18,390**	**-12,677**	**5,713**
As at 30.09.2021	**291,048**	**209,604**	**-103,505**	**106,100**	**501,703**	**-104,554**	**397,148**

The net total amount of the goodwill was € 291,048 thousand, versus € 285,737 thousand at 2020 year-end, and shows a change largely due to the changes in exchange rates, positive for € 6,302 thousand.

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.

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, 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).

The financial and economic situation as of September 2021 does not require an update of the impairment test that had been performed in the consolidated financial statements dated 30 June 2021. In the meantime, no relevant events had been occurred that could require its re-performing. The cash and economics prospectives are then positively confirmed.

The item "Other intangible assets" can be detailed as follows:

OTHER INTANGIBLE ASSETS *(in thousand euro)*	30/09/2021	31/12/2020
Concessions, licenses, trademarks	43,713	40,127
Development costs	18,112	20,515
Software	15,604	19,333
Intangible assets in progress	14,646	12,233
Other	14,024	13,491
Total	**106,100**	**105,698**

Details of and changes in "other intangible assets" are the following:

OTHER INTANGIBLE ASSETS	DEVELOPMENT COSTS			SOFTWARE			OTHER INTANGIBLE ASSETS			TOTAL		
(in thousand euro)	GROSS	PROV.	NET	GROSS	PROV.	NET	GROSS	PROV.	NET	GROSS	PROV.	NET
As at 31.12.2020	**69,195**	**-48,679**	**20,515**	**49,170**	**-29,837**	**19,333**	**79,210**	**-13,360**	**65,850**	**197,575**	**-91,877**	**105,698**
Increases	1,529	0	1,529	960	0	960	6,889	0	6,889	9,378	0	9,378
Decreases	0	0	0	0	0	0	0	0	0	0	0	0
Revaluations/Write-downs	0	0	0	0	0	0	0	0	0	0	0	0
Amortisation	0	-5,800	-5,800	0	-4,539	-4,539	0	-3,038	-3,038	0	-13,377	-13,377
Exchange rate effect	335	-268	67	520	-380	140	815	-201	615	1,671	-849	822
Other	360	1,440	1,801	-1,391	1,102	-290	2,012	56	2,068	981	2,598	3,579
Total changes	**2,225**	**-4,628**	**-2,404**	**89**	**-3,818**	**-3,729**	**9,716**	**-3,182**	**6,534**	**12,029**	**-11,628**	**401**
As at 30.09.2021	**71,420**	**-53,308**	**18,112**	**49,259**	**-33,655**	**15,604**	**88,926**	**-16,542**	**72,384**	**209,604**	**-103,505**	**106,100**

Since the trademark has an indefinite useful life, it is subject to impairment test.

The change in "Other intangible assets" from the start of the period amounted to € 401 thousand and was due to the amortisation expense for the period amounted to €13,377 offset by € 9,378 thousand in investments and € 3,579 thousand as exchange rate effect for the period.

The other intangible assets have a definite useful life and are consequently amortised as necessary.

Development costs refer to products for which the return on investments occurs within a five-year period, on average.

NOTE 2.2 - PROPERTY, PLANT AND EQUIPMENT

At 30 September 2021, "Property, plant and equipment" amounted to € 341,836 thousand, up by a net amount of € 503 thousand compared to 31 December 2020.

The depreciation expense for the period is recognised under the appropriate item in the income statement and amounted to € 42,851 thousand.

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 thousand euro)	GROSS	PROV.	NET	GROSS	PROV.	NET	GROSS	PROV.	NET	GROSS	PROV.	NET
As at 31.12.2020	**289,959**	**-142,824**	**147,135**	**399,300**	**-292,544**	**106,756**	**304,567**	**-217,125**	**87,443**	**993,824**	**-652,491**	**341,333**
Increases	16,177	0	16,177	4,259	0	4,259	19,238	0	19,238	39,674	0	39,674
of which for right of use	*7,964*	*0*	*7,964*	*171*	*0*	*171*	*2,035*	*0*	*2,035*	*10,170*	*0*	*10,170*
Decreases	-873	0	-873	-196	0	-196	-359	0	-359	-1,428	0	-1,428
Revaluations/Write-downs	0	0	0	0	49	49	0	0	0	0	49	49
Depreciation	0	-13,256	-13,256	0	-11,883	-11,883	0	-17,712	-17,712	0	-42,851	-42,851
of which for right of use	*0*	*-8,673*	*-8,673*	*0*	*-250*	*-250*	*0*	*-6,629*	*-6,629*	*0*	*-15,551*	*-15,551*
Exchange rate effect	4,610	-2,232	2,378	6,679	-5,078	1,601	3,279	-2,196	1,083	14,568	-9,506	5,062
Other	-4,191	5,478	1,287	-9,523	8,176	-1,347	1,654	-1,597	57	-12,061	12,057	-3
Total changes	**15,723**	**-10,011**	**5,712**	**1,218**	**-8,735**	**-7,516**	**23,813**	**-21,504**	**2,308**	**40,753**	**-40,250**	**503**
As at 30.09.2021	**305,682**	**-152,835**	**152,846**	**400,518**	**-301,279**	**99,239**	**328,380**	**-238,629**	**89,751**	**1,034,577**	**-692,741**	**341,836**

The increase was the combined effects of the depreciation expense for the period, totalling € 42,851 thousand, fully offset by € 39,674 thousand in investments and by € 5,062 thousand in revaluation of the assets held by foreign subsidiaries into euro.

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 *(in thousand €)*	Land and buildings Gross	Land and buildings Prov.	Land and buildings Net	Plant and machinery Gross	Plant and machinery Prov.	Plant and machinery Net	Other property plant and equipment Gross	Other property plant and equipment Prov.	Other property plant and equipment Net	Total Gross	Total Prov.	Total Net
As at 31.12.2020	**65,413**	**-30,743**	**34,670**	**1,875**	**-403**	**1,472**	**41,635**	**-24,306**	**17,329**	**108,922**	**-55,452**	**53,472**
Increases	7,964	0	7,964	171	0	171	2,035	0	2,035	10,170	0	10,170
Decreases	0	0	0	0	0	0	-358	0	-358	-358	0	-358
Revaluations/Write-downs	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation	0	-8,673	-8,673	0	-250	-250	0	-6,629	-6,629	0	-15,551	-15,551
Exchange rate effect	1,178	-578	601	1	0	1	112	-79	33	1,291	-656	635
Other	-1,658	1,705	47	-23	22	-1	6,987	-2,086	4,901	5,306	-358	4,947
Total changes	**7,484**	**-7,545**	**-61**	**148**	**-228**	**-79**	**8,776**	**-8,793**	**-17**	**16,408**	**-16,565**	**-157**
As at 30.09.2021	72,897	-38,288	34,609	2,023	-631	1,392	50,410	-33,099	17,312	125,331	-72,017	53,314

The item "Other property, plant and equipment "amounted to € 89,751 thousand, up by € 2,308 thousand compared with 31 December 2020.

The breakdown is detailed below:

OTHER PROPERTY, PLANT AND EQUIPMENT *(in thousand euro)*	30/09/2021	31/12/2020
Industrial and commercial equipment	43,817	39,595
Vehicles & transportation equipment	13,083	17,542
Furniture and office equipment	3,091	3,259
EDP machinery	3,032	3,413
Assets under construction	22,494	19,101
Other property, plant and equipment	4,233	4,533
Total	**89,751**	**87,443**

NOTE 2.3 – DEFERRED TAX ASSETS AND LIABILITIES

The components of net deferred tax assets at September 30, 2021 and December 31, 2020 are as follows:

DEFERRED TAX ASSETS *(in thousand euro)*	30/09/2021	31/12/2020
Trade & Patents	35,407	-
R&D | Software	10,985	-
Tangible Fixed Assets	17,418	1,192
Provisions for Warranties	5,563	5,698
Provisions for other risk and charges	15,952	12,694
LTI and others employees benefits	9,693	9,281
Inventory write-off	2,365	1,708
Losses	6,256	6,190
Other	21,759	21,540
TOTAL	125,397	58,304

DEFERRED TAX LIABILITIES *(in thousand euro)*	30/09/2021	31/12/2020
Provision for warranties	1,152	1,085
Provision for other risks and charges	3,343	3,168
LTI and Others employees benefits	1,849	1,578
Tangible Fixed Assets	10,420	7,793

Exchange gains and losses	1,114	0
M&A	4,847	4,705
Other	25,811	13,820
TOTAL	48,535	32,150

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.

NOTE 2.4 – INVENTORIES

Following is the composition of "Inventories" at 30 September 2021 and at 31 December 2020, net of the obsolete stock provision.

INVENTORIES *(in thousand euro)*	**30/09/2021**	**31/12/2020**
Raw materials	118,499	77,534
Work in progress and semi-finished goods	14,150	9,936
Finished goods and goods for resale	252,172	178,020
Total	**384,821**	**265,490**

Gross value of inventories, at 30 September 2021, amounted to € 423,425 thousand (€ 302,979 thousand at 31 December 2020), whereas the provision amounted to € 38,604 thousand (€ 37,489 thousand at 31 December 2020).

The stock increase is mainly caused by sales increase and the seasonality. Any year the level of stock at the end of September is higher than the year end one due to the stocking phase before autumn winter seasons.

On top on this, raw materials weighted average price is increasing too, impacted by the raw material price increase, so increasing the stock total value.

The provision set up for obsolete or slow-moving stock is substantially in line with previous year.

The obsolescence risk is measured taking into account the stock rotation, calculated monthly as the ratio of inventories to consumption over the last twelve months for raw material (forty-eight months for spare parts with life cycle defined "inactive"), and the product life cycle. On the basis of these two parameters, 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 thousand euro)*	**Raw materials**	**Work in progress and semi-finished goods**	**Finished goods and goods for resale**	**TOTAL**
As at 31.12.2020	8,539	1,470	27,480	37,489
Increases/ Release	-579	171	632	225
Decreases	631	-53	-88	490
Exchange rate effect	175	13	204	392
Other	834	39	-865	8
Total changes	**1,061**	**171**	**-117**	**1,115**
As at 30.09.2021	9,600	1,640	27,363	38,604

The item "Other" shows primarily the reclassifications.

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 2.5 – TRADE RECEIVABLES

Trade receivables amounted to € 227,571 thousand, net of a bad debt provision of € 19,382 thousand.

Compared with 31 December 2020, the net balance shows a € 195 thousand decrease in absolute values. This trend was attributable to the mix effect generated by the strong increase in turnover, partially compensated by the strong collection performance and reduction in payment terms mainly in the areas with higher days of sales outstanding.

The incidence, in percentage, of trade receivables on the turnover of the last 12 months was equal to 11.7% compared with 13.7% recorded at 31 December 2020.

The bad debt provision of € 19,382 thousand shows a net increase by € 595 thousand compared with 31 December 2020, due to an open position in the Middle East that was switched from an amicable dispute to a litigation one in the month of June but partially offset by a significant decline in past due receivables thanks to the more stringent debt management and collection policy, as well as certain drawdowns as the Group wrote off non-performing loans confirmed to be no longer recoverable.

For Trade Receivables, the Group applies a simplified approach in the calculation of expected losses. The Group 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. Specific fund is provided for legal and specific devaluation by single clients' situation and their economic environment.

At 30 September 2021, the provision was deemed to be appropriate for the estimated losses from unsecured or in litigation receivables.

Following are the changes in the bad debt provision:

BAD DEBT PROVISION *(in thousand euro)*	**short term**	**medium/long-term**	**TOTAL**
As at 31.12.2020	**12,716**	**6,071**	**18,787**
Increases	1,615	156	1,771
Decreases	-514	-54	-568
Release	-498	-245	-744
Exchange rate effect	155	-19	136
Other	-211	211	0
Total changes	**546**	**49**	**595**
As at 30.09.2021	**13,262**	**6,120**	**19,382**

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.

STATEMENT OF FINANCIAL POSITION – LIABILITIES

NOTE 3.1 – EQUITY

The total consolidated equity at 30 September 2021 amounted to € 530,929 thousand, up compared with € 446,517 thousand at 31 December 2020.

During this reporting period, within the broader corporate reorganization of the Ariston Group, after the merger of the company Ariston Thermo Holding Spa in the wholly owned subsidiary Ariston Thermo International Srl, Ariston Thermo Holding Spa, has been re-domiciliated in The Netherlands as Ariston Thermo Holding NV, establishing its registered office in Amsterdam the 15 June.

The new "Share capital" of the Parent Company at 30 September 2021, fully subscribed and paid up, is represented by no. 75,000,000 ordinary shares of € 0.01 each and by no. 225,000,000 multiple vote shares of € 0.20 each.

The overall change is the result of the algebraic sum of items of opposite signs, such as:

- the increase in the Group's profit for the period, amounting to € 113 million;
- the reserve for conversion of financial statements into the appropriate 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, which has had a positive impact of € 16.5 million;
- the exchange rate differences arising from the translation of monetary items that are part of the hedge of a net investment in a foreign operation, in accordance with IAS 21, resulting in a € 1.6 million positive impact in the reporting period;
- the decrease associated with the € 48 million dividend payout;

- the positive change due to the remeasurement of the pension provisions, for € 2.6 million, mainly following changes in the financial assumptions, recognised in equity in compliance with revised IAS 19.

The "Cash flow hedge reserve" shows a change due to the recognition of cash flows deriving from instruments, which, pursuant to the provisions of IAS 39, are recognised under "future cash flows hedging instruments". This reserve corresponds to the fair value of existing derivative hedging agreements in effect at 30 September 2021. It is negative for € 2,348 thousand, down compared with the previous year, when it was negative for € 1,132 thousand.

The "Remeasurement reserve" (related to defined benefit pension plans), with a negative € 27,242 thousand, reflects the net effect on actuarial gains (losses) as of 1 January 2012 from the application of the amendment to *IAS 19 - Employee Benefits*. This item also includes the effect on equity of actuarial gains and losses accrued after 1 January 2012 and recognised in the consolidated statement of comprehensive income. The reserve remained negative and improved by € 2.6 million from 2020, following changes in the financial.

The "Reserve for the adjustment to fair value of financial assets", which was positive at € 626 thousand, included the fair value measurement at 1 January 2018 recognised under equity of financial assets classified as debit instruments at fair value through profit or loss (FVTPL).

For additional details about the changes occurring during the period in the single items of equity, see the financial statements, in particular the "Consolidated statement of changes in equity".

NOTE 3.2 – NON-CURRENT AND CURRENT PROVISIONS

Non-current and Current provisions totalled € 87,100 thousand, up by € 3,998 thousand 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 thousand euro)	Agent supplementary indemnity provision	Product warranty provision	First installation provisions	Other provisions	TOTAL
As at 31.12.2020	2,598	49,601	5,930	24,974	83,103
of which:					
Current	0	16,830	2,132	12,313	31,276
Non-current	2,598	32,770	3,798	12,661	51,827
Increases	255	7,009	1,701	2,289	11,253
Decreases	-14	-3,397	-1,350	-1,962	-6,723
Other	0	1,358	314	-2,203	-532
Total changes	**241**	**4,969**	**665**	**-1,877**	**3,998**
As at 30.09.2021	2,839	54,570	6,594	23,098	87,100
of which:					
Current	0	17,988	2,148	15,687	35,823
Non-current	2,839	36,582	4,446	7,411	51,278

Details of and changes in "other provisions" are the following:

OTHER PROVISIONS (in thousand euro)	Legal disputes provision	Restructuring provision	Other risk provision	TOTAL
As at 31.12.2020	4,905	2,297	17,772	24,974
of which:				
Current	4,618	2,110	5,585	12,313
Non-current	287	187	12,187	12,661
Increases	-106	2,978	-583	2,289
Decreases	-14	-755	-1,193	-1,962
Other	-2	15	-2,217	-2,203
Total changes	**-122**	**2,237**	**-3,993**	**-1,877**
As at 30.09.2021	4,784	4,534	13,780	23,098
of which:				
Current	4,376	4,039	7,272	15,687
Non-current	407	495	6,508	7,411

Current provisions amounted to € 35,823 thousand versus € 31,276 thousand at 31 December 2020, whereas Non-current provisions amounted to € 51,278 thousand versus € 51,827 thousand in the previous year.

More specifically, the "Agent supplementary indemnity provision" recognises the accruals for covering indemnities that may be due to agents at their employment termination. The provision shows a limited increase of € 241 thousand compared to the previous year.

The "Product warranty provision", which represents estimated costs to be borne for technical support of sold products 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 recorded a net € 4,969 thousand increase mainly due to increases recognised in the period related to normal management activities of the warranty provided for installations.

The "First installation provision" represents the estimated expense that the Group shall bear for interventions of this type on the products. This has not substantially changed compared with December 2020.

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.

The increase of € 2,289 is partially offset by the fund utilisation of € 1,962, the item "Other" amounted to € 2,203 includes the effect of exchange rates for the period and reclassifications.

Net Financial Indebtedness

The reconciliation with the Group's Net Financial Indebtedness is set out below.

	NET FINANCIAL INDEBTEDNESS *(values in thousands of euro)*	2021 Sep	2020 Dec	2020 Sep
A	Cash	391,395	452,024	618,954
B	Cash equivalents including the current financial assets	311	434	404
C	Other current financial assets	5,153	7,909	9,166
D	**Liquidity** (A+B+C)	**396,858**	**460,368**	**628,524**
E	Current financial liabilities	-110,636	-35,545	-191,050
F	Current portion of non-current financial liabilities	-20,128	-188,007	-20,194
G	**Current Financial Indebtedness** (E+F)	**-130,764**	**-223,553**	**-211,243**
H	**Net Current Financial Indebtedness** (G-D)	**266,095**	**236,815**	**417,281**
I	Non current financial liabilities	-440,416	-389,874	-596,951
J	Non current financing (Debt instruments)			
K	Non current Trade and Other Payables	-3,177	-22,687	-26,748
L	**Non-Current Financial Indebtedness** (I+J+K)	**-443,593**	**-412,561**	**-623,699**
M	**Total Financial Indebtedness** (H+L) (*)	**-177,499**	**-175,746**	**-206,418**
N	Group Net Financial Position	**-138,831**	**-143,634**	**-172,505**
	Δ M-N	**-38,668**	**-32,112**	**-33,913**

(*) 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 ESMA Guidelines, 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 30 September 2021, the Group recorded a negative Net Financial Position of € 139 million compared with a negative balance of € 144 million at 31 December 2020 and of € 173 million at 30 September 2020.

A reconciliation of the changes in financial liabilities used in financing activities indicated in the cash flow statement and the balances shown on the financial statements is provided below:

		At 31 December 2020	(1) Increase/decrease in short-term financial payables	(1) New loans	(1) Loans repayment	New lease contracts	Reclassification	Exchange rate effects	Other movements	At 30 September 2021
L2500 Non current financing	Non-current loans	389,874	0	202,501	-324,737	10,170	162,136	473	0	440,416
L3400 Current financial liabilities	Current financial liabilities	33,337	46,287	0	0	0	0	0	2,067	81,691
L3500 Current financing	Current loans	188,009	-5,988	0	0	0	-162,136	235	8	20,129
	Total	**611,220**	**40,299**	**202,501**	**-324,737**	**10,170**	**0**	**708**	**2,075**	**542,236**

(1): Included in the Cash flow Statement

Table of Reconciliation among Cash & Cash Equivalent and Interim Consolidated Statement of Cash Flows (in millions of euros)	30/09/2021	30/09/2020
Cash and cash equivalents (as included in the statement of the financial position)	392	619
Short-term bank notes or similar tradable instruments and others	5	9
Bank overdrafts	-20	-21
Notes payable	-12	-12
Cash and cash equivalents (as included in the statement of cash flows)	**365**	**595**

NOTE 3.3 – TRADE PAYABLES

"Trade payables" at 30 September 2021 amounted to € 430,642 thousand showing an increase of € 66,581 thousand, compared with 31 December 2020. 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 improved in terms of the average number of days for payment, which went from 95 to 96 days.

NOTE 3.4 – OTHER CURRENT LIABILITIES

"Other current liabilities" amounted to € 211,698 thousand, compared to € 155,868 thousand at 31 December 2020.

OTHER CURRENT LIABILITIES *(in thousand euro)*	30/09/2021	31/12/2020
Advances from customers	9,008	6,982
Current payables for social security contributions	13,033	16,635
Current payables due to personnel	48,355	43,251
Indirect tax payables	25,938	19,302
Other current payables	115,364	69,699
Total	**211,698**	**155,868**

The main variance is given by Other current payables which is mainly driven by deferred income, increased by € 4.4 million compared to December 31 2021, € 24.9 million reclassification from long to short term of the put and call, €4.8 million reclassification of long term incentive and accrual of the period, € 3 million increase of accruals from subsidiaries.

OTHER INFORMATION

COMMITMENTS AND RISKS

The Group reported the following potential liabilities as at the end of the reporting period:

Guarantees issued

The sureties issued in favour of third parties amounted to € 459 thousand.

Third-party assets in deposit accounts amounted to € 14,220 thousand.

No collateral guarantees are issued by the Group.

Commitments

At 30 September 2021, there were no 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".

Legal disputes

Provisions recognised in the financial statements are deemed as fair in reference to the legal disputes that may have potential critical outcomes for the Group, also in terms of the significance of such outcomes.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Below are the Group's financial instruments recognised by category and level of confidence of their fair value measurements at 30 September 2021:

SEPTEMBER 2021	CARRYING VALUE PER TYPE						FAIR VALUE			
(in thousand euro)	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	TOT	LEVEL 1	LEVEL 2	LEVEL 3	TOT
measured at :	FAIR VALUE	FAIR VALUE	FAIR VALUE	AMORTISED COST	AMORTISED COST					
FINANCIAL ASSETS						-				
CASH AND CASH EQUIVALENTS	0	0	0	391,705	0	391,705	0	0	0	0
TRADE RECEIVABLES	0	0	0	227,571	0	227,571	0	0	0	0
CURRENT FINANCIAL ASSETS	0	1,173	13	10,514	0	11,700	0	1,173	0	1,173
FINANCIAL ASSETS	0	0	0	4,746	0	4,746	0	0	0	0
NON-CURRENT FINANCIAL ASSETS	0	0	0	0	0	0	0	0	0	0
ASSETS HELD FOR SALE	299	0	0	0	0	299	0	0	299	299
TOTAL	**299**	**1,173**	**13**	**634,536**	**0**	**636,021**	**0**	**1,173**	**299**	**1,472**
FINANCIAL LIABILITIES						-				
TRADE PAYABLES	0	0	0	0	430,642	430,642	0	0	0	0
CURRENT FINANCIAL LIABILITIES	0	3,982	0	0	77,709	81,691	0	3,982	0	3,982
CURRENT loans	0	0	0	0	20,129	20,129	0	0	0	0
NON-CURRENT FINANCIAL LIABILITIES	0	0	0	0	0	0	0	0	0	0
NON-CURRENT loans	0	0	0	0	440,416	440,416	0	0	0	0
TOTAL	**0**	**3,982**	**0**	**0**	**968,896**	**972,878**	**0**	**3,982**	**0**	**3,982**
FINANCIAL INSTRUMENTS BALANCE	**299**	**-2,809**	**13**	**634,536**	**-968,896**	**-336,857**	**0**	**-2,809**	**299**	**-2,510**

The financial instruments of the Group, recognised in the financial statements with a similar breakdown at 31 December 2020, are shown in the table below:

2020	CARRYING VALUE PER TYPE						FAIR VALUE			
(in thousand euro)	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	TOT	LEVEL 1	LEVEL 2	LEVEL 3	TOT
measured at :	FAIR VALUE	FAIR VALUE	FAIR VALUE	AMORTISED COST	AMORTISED COST					
FINANCIAL ASSETS						-				
CASH AND CASH EQUIVALENTS	0	0	0	452,458	0	452,458	0	0	0	0
TRADE RECEIVABLES	0	0	0	227,766	0	227,766	0	0	0	0
CURRENT FINANCIAL ASSETS	0	2,091	12	7,897	0	10,000	0	2,091	0	2,091
FINANCIAL ASSETS	0	0	0	3,878	0	3,878	0	0	0	0
NON-CURRENT FINANCIAL ASSETS	0	0	5,127	0	0	5,127	0	0	0	0
ASSETS HELD FOR SALE	304	0	0	0	0	304	0	0	304	304
TOTAL	**304**	**2,091**	**5,139**	**691,999**	**0**	**699,533**	**0**	**2,091**	**304**	**2,395**
FINANCIAL LIABILITIES						-				
TRADE PAYABLES	0	0	0	0	364,061	364,061	0	0	0	0
CURRENT FINANCIAL LIABILITIES	0	3,696	0	0	29,641	33,337	0	3,696	0	3,696
CURRENT loans	0	0	0	0	188,009	188,009	0	0	0	0
NON-CURRENT FINANCIAL LIABILITIES	0	0	0	0	0	0	0	0	0	0
NON-CURRENT loans	0	39,428	0	0	350,446	389,874	0	0	0	0
TOTAL	**0**	**43,124**	**0**	**0**	**932,157**	**975,281**	**0**	**3,696**	**0**	**3,696**
FINANCIAL INSTRUMENTS BALANCE	**304**	**-41,033**	**5,139**	**691,999**	**-932,157**	**-275,748**	**0**	**-1,605**	**304**	**-1,301**

Notes:

Level 1: quoted prices in 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.

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.

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.

Risk management policies

The portion of insured receivables, at 30 September 2021, was 66% 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 life-time 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.

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 30 September 2021 was € 78,000 thousand. The Group has not identified any concentration risk on customers and on its trade receivables.

The table below summarises the types of instruments protecting against credit risk used by the Group:

Type	**30/09/2021**	**%**	**31/12/2020**	**%**
Receivables under insurance policies	144	63%	120	53%
Other	6	3%	6	3%
TOT insured receivables	*150*	*66%*	*127*	*56%*
Non-insured receivables	*78*	*34%*	*101*	*44%*
Total receivables	**228**	**100%**	**228**	**100%**

"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 € 13,633 thousand (versus € 16,584 thousand at December 2020) whereas the amount of receivables past-due beyond 60 days is € 14.976 thousand (versus € 14,947 thousand at December 2020).

For the purposes of representing trade receivables for issued invoices by past-due ranges, the following table is provided:

Trade receivables ageing	**30/09/2021**	**%**	**31/12/2020**	**%**
Not overdue	199	87%	197	86%
Overdue 0-30	10	4%	13	6%
Overdue 31-60	4	2%	3	1%
Overdue 61-120	2	1%	2	1%
Due after 120 and legal	13	6%	13	6%

The credit policy defines the depreciation grid for statistical part differentiating percentage by aging and country risk class where trade receivable amount is allocated.

Also current (not overdue) amounts are allocated to their country risk class and subject to depreciation according to assigned percentage of devaluation. The related provision for bad debt amounted to € 1.258 thousand.

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.

Depreciation grid for statistical part

Current (not overdue)	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 1-60	2.5%	5%	7.5%	10%
Overdue 0-30	1.25%	1.5%	2.5%	5%
Current (not overdue)	0.5%	0.75%	1.0%	1.5%

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 and the level of risk of each individual country, market and type of customer.

Following is the summary of the specific and simplified ECLs assessments used to determine the bad debt provision:

ANALYSIS OF BAD DEBT PROVISION		**30/09/2021**	**31/12/2020**
Total receivables	*Gross*	*246,952*	*246,553*
	Provision	*19,382*	*18,787*
	Net	**227,571**	**227,766**

Receivables impaired on a specific basis	*Gross*	*7,829*	*8,050*
	Provision	*6,801*	*6,406*
	Net	**1,028**	**1,644**
Receivables impaired on a simplified ECLs	*Gross*	*239,123*	*238,503*
	Provision	*12,581*	*12,381*
	Net	**226,542**	**226,122**

LIQUIDITY RISK

At 30 September 2021, the Group's "Overall available liquidity", defined as the sum of cash and cash equivalents and the unused portion of committed lines of credit only (equal to € 530 million at September month-end) amounted to approximately € 922 million. With short-and long-term bank loans, totalling over € 1,200 million as at the same date, of which approximately 40% has been used, the Group continues to carefully manage the liquidity risk.

The bank credit lines currently available to the Group, the cash and cash equivalents from operating activities, are therefore assessed as more than fair and such as to allow the Group to promptly and financially meet all its obligations by the due dates.

The Group manages its liquidity by using cash and cash equivalents in short-term technical forms or involving easy disposal.

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 30 SEPTEMBER 2021 *(in million €)*	**< 1 month**	**2-6 months**	**6-12 months**	**1-5 years**	**> 5 years**	**TOTAL**
TRADE PAYABLES	**97**	**323**	**0**	**11**	**0**	**431**
FINANCIAL PAYABLES						
-current financial liabilities	70	12				**82**
-current loans		2	18			**20**
-non-current financial liabilities						
-non-current loans		2	2	250	209	**463**
Total financial payables	**70**	**16**	**20**	**250**	**209**	**565**
Total	**167**	**339**	**20**	**261**	**209**	**996**

The details for the expiry dates of financial and trade payables at 31 December 2020 are shown in the table below:

EXPIRY DATES 31 DECEMBER 2020 *(in million €)*	**< 1 month**	**2-6 months**	**6-12 months**	**1-5 years**	**> 5 years**	**TOTAL**
TRADE PAYABLES	**91**	**263**	**6**	**4**	**0**	**364**
FINANCIAL PAYABLES						
-current financial liabilities	24	9				**33**
-current loans		12	176			**188**
-non-current financial liabilities						
-non-current loans				391	10	**401**
Total financial payables	**24**	**21**	**176**	**391**	**10**	**623**
Total	**115**	**284**	**182**	**395**	**10**	**986**

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 risk management policies applied to interest rates, exchange rates and commodities, are centrally defined to minimise 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 characterised 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, rouble, 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 forth in its 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 to recognise 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, which came into force as from 1 January 2018.

In order to minimise the exposure to the transaction risk, the Group uses derivative forward instruments which allow for a 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	189.70	174.72
GBP	8.25	9.63
HUF	348.96	0.99
CZK	6.00	0.24
CAD	3.00	2.01
CNY	527.7	69.43
USD	26.8	22.77
PLN	0.0	0.00
SGD	2.4	1.53

At the same date, the fair value of the foreign exchange derivatives was overall positive, standing at € 1.023 thousand.

In relation to exchange rate risk, the Group undertook sensitivity analysis to determine any impact on the final profit before tax from potential fluctuations in exchange rates between the euro and 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:

	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
	30.09.2021	
Foreign currency revaluation	1	1
Foreign currency devaluation	-1	-1

Commodity price fluctuation risk

Profit and losses 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 the next years.

Thus, the Group partly hedged purchases also for the years 2021 and 2022.

The Group hedged price risk with forward and average forward financial instruments that allow it to achieve the goals set out in its risk management policy. In pursuing said goals, 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 to recognise 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, which came into force as from 1 January 2018.

When these instruments no longer qualify for hedge accounting, they are recognised as trading instruments.

As 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 euro)
Copper	Forward	1,155	8.849
Nichel	Average Forward	8	0.108
Silver	Average Forward	3.35	2.234
Aluminium	Forward	50	0.087

At the same date, the fair value measurement of the derivatives on commodities showed a negative € 134 thousand and was classified under “current financial liabilities”.

Derivatives contracts entered into and closed during the year resulted in positive items amounting to approximately € 2,993 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 loans of the Group.

The amount of variable rate debt exposure of the Group, not hedged against interest rate risk, represents the main element of risk for the negative impact from an increase in the market interest rates. The interest rate risk to which the Group is exposed originates primarily from the medium/long-term financial payables.

The Group's policy for managing this risk seeks to strike a balance between fixed- and variable-rate debts, considering the maturity profile and short-term market outlook—including for the purposes of curbing funding costs.

Following the mid-long term loans, the Group has, at 30 September 2021, Interest Rate Swap (IRS) transactions with leading financial counterparties for a notional total amount of € 312 million.

At 30 September 2021, 76% of medium/long-term gross debt, in relation to third parties, is at a fixed rate and 24% is 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 + € 0,479 million and - € 0,496 million, respectively, at the end of September 2021, There were no material impacts on the Group's net profit and equity.

HEDGING INSTRUMENTS

In summary, at 30 September 2021, the following financial hedging instruments are in place:

- against exchange rates – Swiss franc, British pound sterling, US dollar and Chinese renminbi, Czech koruna;
- against commodities – copper, nickel, silver and aluminium;
- against interest rates – medium-long term floating rate loans.

The hedging instruments applied to exchange rates were set up in order to reduce the economic and transactional risk of the Group, and they meet all the formal requirements set forth in the IAS/IFRSs and are therefore recognised in hedging accounting.

The following table shows the details of hedging instruments in use at 30 September 2021. The amounts are expressed in million euro:

HEDGING INSTRUMENTS 30 SEPTEMBER 2021 *(in million €)*	NATURE OF RISK COVERED	FAIR VALUE 30/09/2021	NON-CURRENT FINANCIAL ASSETS	CURRENT FINANCIAL ASSETS	NON-CURRENT FINANCIAL LIABILITIES	CURRENT FINANCIAL LIABILITIES	TOTAL
Interest Rate Swap	Interest rates	-3.7				-3.7	-3.7
Average Forward	FX	0.3		0.3			0.3
Forward	FX	0.7		0.7			0.7
Forward	Commodity	0.0		0.0			0.0
Average Forward	Commodity	-0.1		-0.1			-0.1
TOTAL		**-2.8**		**0.9**		**-3.7**	**-2.8**

The following table shows the details of hedging instruments in use at 31 December 2020. The amounts are expressed in million euro:

HEDGING INSTRUMENTS 31 DECEMBER 2020 *(in million €)*	NATURE OF RISK COVERED	FAIR VALUE 31/12/2020	NON-CURRENT FINANCIAL ASSETS	CURRENT FINANCIAL ASSETS	NON-CURRENT FINANCIAL LIABILITIES	CURRENT FINANCIAL LIABILITIES	TOTAL
Interest Rate Swap	Interest rates	-3.7				-3.7	-3.7
Average Forward	FX	0.5		0.5			0.5
Forward	Commodity	1.2		1.2			1.2
Average Forward	Commodity	0.4		0.4			0.4
TOTAL		**-1.6**		**2.1**		**-3.7**	**-1.6**

RELATED PARTY DISCLOSURES

Based on the transactions carried out by Ariston Group during the first nine months of 2021, related parties are mainly represented by:

- companies directly and/or indirectly related to the majority shareholder of Ariston Thermo Holding NV;

- Directors and/or companies related to the same.

The following table shows the figures of the main transactions with related parties:

	30-09-2021				31-12-2020			
(in thousand €)	*Receivables*	*Payables*	*Revenue*	*Costs*	*Receivables*	*Payables*	*Revenue*	*Costs*
Fondazione A. Merloni	**4**	**0**	**4**	**350**	**6**	**0**	**5**	**500**
Novapower srl	**11**	**0**	**1**	**164**	**9**	**56**	**9**	**225**
Janus Immobili per l'Industria	**26**	**0**	**0**	**564**	**0**	**0**	**0**	**983**
Novapower L2 srl	**9**	**0**	**0**	**0**	**9**	**0**	**0**	**0**
Novacapital srl	**7**	**0**	**7**	**0**	**0**	**0**	**0**	**0**
Nova Re srl	**790**	**0**	**739**	**0**	**0**	**0**	**0**	**0**
Total	848	0	751	1,078	24	56	14	1,708

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 the companies of the Group. These transactions are regulated by market conditions and based on the characteristics of the services provided.

The main transactions with related parties concern Janus Immobili per l'Industria, consisting of rental charges for the logistic site of Borgo Tufico (Ancona) for the period 1 January 2021 to 28 July 2021 (in date 29 July the site was acquired by Ariston Thermo Spa) and Nova Re srl, consisting of recharge of costs related to the structural investments done on the Follina plant.

EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the reporting period that could affect the consolidated financial statements.

The 4th of October Compensation Committee has formalized the revised mechanics of Long Term Incentive plan to key Group managers in order to align it to new challenge and projects.

The document is brought to the Board of Directors of the 28th October of its ratification allowing the execution immediately after.

In October, Ariston has signed an agreement with Kibbutz Shaar Haamakim to acquire Chromagen, a leader in renewable hot water solutions. Chromagen is active primarily in Israel and Australia, with a smaller commercial presence in southern Spain.

The final closing of this transaction will happen in a few months, as it remains subject to customary closing conditions, including approval by the Israeli competition authorities.

Ariston Group will purchase 100% of the shares and voting rights of Chromagen in Israel and Spain, and 51% of those in Australia. In Australia, local minority shareholders – who are also the key managers in the company – will continue to hold 49% of Chromagen Australia.

LIST OF COMPANIES AT 30 SEPTEMBER 2021

COMPANIES CONSOLIDATED ON A LINE BY LINE BASIS										
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 NV	Netherlands	EUR	45.750.000	TC	parent company				
2	AR1 srl	Italy	EUR	200.000	TC	100,00	Ariston Thermo spa		100,00	
3	Ariston Thermo Argentina srl	Argentina	ARS	16.705.269	TC	100,00	Ariston Holding NV		99,63	
							Thermowatt spa		0,37	
4	Ariston Thermo Benelux sa	Belgium	EUR	176.000.000	TC	100,00	Ariston Holding NV	100,00		
5	Ariston Thermo Canada Ltd	Canada	CAD	43.000.000	TC	100,00	Ariston Holding NV	100,00		
6	Ariston Thermo (China) Co., Ltd	China	CNY	145.885.010	TC	100,00	Ariston Holding NV	100,00		
7	Ariston Thermo Croatia Ltd	Croatia	HRK	800.000	TC	100,00	Ariston Holding NV	100,00		
8	Ariston Thermo CZ sro	Czech Republic	CZK	30.000.000	TC	100,00	Ariston Holding NV	100,00		
9	Ariston Thermo Deutschland GmbH	Germany	EUR	255.700	TC	100,00	Elco International GmbH		100,00	
10	Ariston Thermo Egypt LLC	Egypt	EGP	10.900.000	TC	100,00	Ariston Holding NV	100,00		
11	Ariston Thermo Espana sl Sociedad Unipersonal	Spain	EUR	800.000	TC	100,00	Ariston Holding NV	100,00		
12	Ariston Thermo France sas	France	EUR	54.682.110	TC	100,00	Ariston Holding NV	99,99		
							Elco International GmbH		0,01	
13	Ariston Thermo Gulf Water Heating LLC	UAE	AED	400.000	TC	100,00	Ariston Holding NV	49,00		
							Third parties			51,00
14	Ariston Thermo Heating Tech.Nigeria Ltd	Nigeria	NGN	10.000.000	TC	100,00	Ariston Holding NV	100,00		
15	Ariston Thermo Holding USA LLC	USA	USD	63.037.687	TC	100,00	Elcotherm AG		100,00	
16	Ariston Thermo Hungária kft	Hungary	HUF	131.000.000	TC	100,00	Ariston Holding NV	100,00		
17	Ariston Thermo India Private Ltd	India	INR	220.000.000	TC	100,00	Ariston Holding NV	99,99		
							Ariston Thermo spa		0,01	
18	Ariston Thermo Industrial Vietnam Ltd	Vietnam	VND	41.600.000.000	TC	100,00	Ariston Holding NV	100,00		
19	Ariston Thermo Innovative Technologies srl	Italy	EUR	2.000.000	TC	100,00	Ariston Thermo spa		100,00	
20	Ariston Thermo Isitma ve Sogutma Sistemleri Ithalat, Ihracat ve Dagitim Ltd. Sti.	Turkey	TRY	66.157.500	TC	100,00	Ariston Holding NV	100,00		
21	Ariston Thermo Kazakhstan LLP	Kazakhstan	KZT	212.100	TC	100,00	Ariston Holding NV	100,00		
22	Ariston Thermo Maroc sa	Morocco	MAD	3.000.000	TC	100,00	Ariston Holding NV	100,00		
23	Ariston Thermo MEA WLL	Bahrain	USD	2.526.596	TC	100,00	Elcotherm AG		100,00	
24	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	
25	Ariston Thermo Parts & Services SA	Switzerland	EUR	940.551	TC	100,00	Elcotherm AG		100,00	
26	Ariston Thermo Polska Sp. z o.o.	Poland	PLN	12.000.000	TC	100,00	Ariston Holding NV	100,00		
27	Ariston Thermo Pte Ltd	Singapore	SGD	100.000	TC	100,00	Ariston Holding NV	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
28	Ariston Thermo Romania srl	Romania	RON	29.041.740	TC	100,00	Ariston Holding NV	100,00		
29	Ariston Thermo Rus LLC	Russia	RUB	1.403.787.727	TC	100,00	Ariston Holding NV	100,00		
30	Ariston Thermo spa	Italy	EUR	30.100.000	TC	100,00	Ariston Holding NV	100,00		
31	Ariston Thermo South Africa (Pty) Ltd	South Africa	ZAR	100	TC	100,00	Ariston Holding NV	100,00		
32	Ariston Thermo Tunisie SA	Tunisia	EUR	500.000	TC	66,70	Elcotherm AG		66,70	
							Third parties			33,30
33	Ariston Thermo UK Ltd	UK	GBP	7.500.000	TC	100,00	Ariston Holding NV	100,00		
34	Ariston Thermo Ukraine LLC	Ukraine	UAH	38.705.753	TC	100,00	Ariston Holding NV	100,00		
35	Ariston Thermo USA LLC	USA	USD	10.275.184	TC	100,00	Ariston Thermo USA Holding LLC		82,84	
							Third parties			17,16
36	Ariston Thermo Vietnam Ltd	Vietnam	VND	31.471.000.000	TC	100,00	Ariston Holding NV	100,00		
37	Atag Construction BV	Netherlands	EUR	1	TC	100,00	Atag Verwarming Nederland BV		100,00	
38	Atag Electronics BV	Netherlands	EUR	1	TC	100,00	Atag Verwarming Nederland BV		100,00	
39	Atag Engineering BV	Netherlands	EUR	1	TC	100,00	Atag Verwarming Nederland BV		100,00	
40	Atag Heating BV	Netherlands	EUR	10.000	TC	100,00	Ariston Thermo Benelux sa		100,00	
41	Atag Heizungstechnik Gmbh	Germany	EUR	512.000	TC	100,00	Atag Heating BV		100,00	
42	Atag Verwarming Belgie BVBA	Belgium	EUR	18.600	TC	100,00	Atag Heating BV		100,00	
43	Atag Verwarming Nederland BV	Netherlands	EUR	18.000	TC	100,00	Atag Heating BV		100,00	
44	ATM1 HR S.A. de C.V.	Mexico	MXN	50.000	TC	100,00	Ariston Thermo USA Holding LLC		99,99	
							Ariston Thermo Canada Ltd		0,01	
45	ATM2 HR S.A. de C.V.	Mexico	MXN	50.000	TC	100,00	Ariston Thermo USA Holding LLC		99,99	
							Ariston Thermo Canada Ltd		0,01	
46	Atmor (Dongguan) Electronic Technology Co. Ltd	China	USD	1.000.000	TC	100,00	Atmor Electronic Technology Company Ltd		100,00	
47	Atmor Electronic Technology Company Ltd	Hong Kong	HKD	10.000	TC	100,00	Atmor Industries LTD		100,00	
48	Atmor Industries LTD	Israel	USD	1.790.409	TC	100,00	Elcotherm AG		80,00	
							Third parties			20,00
49	BCE srl	Italy	EUR	10.400	BUR	100,00	Ecoflam Bruciatori spa		100,00	
50	Calentadores de America S.A. de C.V.	Mexico	MXN	1.226.643.637	TC	100,00	Ariston Thermo Mexico S.A. de C.V		99,99	
							Ariston Thermo USA Holding LLC		0,01	
51	Cuenod sas	France	EUR	15.422.390	BUR	100,00	STV France sas		100,00	
52	Domotec AG	Switzerland	CHF	50.000	TC	100,00	Elcotherm AG		100,00	
53	Ecoflam Bruciatori spa	Italy	EUR	3.690.000	BUR	100,00	Ariston Holding NV	100,00		
54	Elco Austria GmbH	Austria	EUR	35.000	TC	100,00	Elcotherm AG		100,00	
55	Elco B.V.	Netherlands	EUR	2.046.004	TC	100,00	Elco Burners B.V.		100,00	
56	Elco Belgium nv/sa	Belgium	EUR	1.300.000	TC	100,00	Ariston Thermo Benelux sa		99,99	
							Elco B.V.		0,01	
57	Elco Burners B.V.	Netherlands	EUR	22.734	BUR	100,00	Ariston Thermo Benelux sa		100,00	

58	Elco Burners GmbH	Germany	EUR	25.000	BUR	100,00	Elco International GmbH		100,00	
59	Elco GmbH	Germany	EUR	50.000	TC	100,00	Elco International GmbH		100,00	
60	Elco Heating Solutions Limited	UK	GBP	3.001.750	TC	100,00	Ariston Themo UK Ltd		100,00	
61	Elco International GmbH	Germany	EUR	8.691.962	TC	100,00	Ariston Holding NV	100,00		
62	Elco Italia spa	Italy	EUR	3.500.000	TC	100,00	Ariston Thermo spa		100,00	
63	Elcotherm AG	Switzerland	CHF	1.000.000	TC	100,00	Ariston Holding NV	100,00		
64	Fluida S.A. de C.V.	Mexico	MXN	302.188.920	TC	100,00	Calentadores de America S.A. de C.V.		99,99	
							Ariston Thermo USA Holding LLC		0,01	
65	Gastech-Energi A/S	Denmark	DKK	7.554.935	TC	100,00	Ariston Holding NV	100,00		
66	Ingrado srl	Italy	EUR	10.000	TC	100,00	Ariston Holding NV	100,00		
67	Kesselheld Gmbh	Germany	EUR	83.333	TC	100,00	Elco International GmbH		80,00	
					TC		Third parties			20,00
68	NTI Boilers Inc	Canada	CAD	28.210	TC	100,00	NTI Holdings Ltd		100,00	
69	NTI Holdings Ltd	Canada	CAD	13.058.901	TC	100,00	Ariston Thermo Canada Ltd		100,00	
70	NTI Industrial Inc	Canada	CAD	100	TC	100,00	NTI Holdings Ltd		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
71	NTI-USA Inc	USA	USD	100	TC	100,00	NTI Boilers Inc		100,00	
72	PT Ariston Thermo Indonesia	Indonesia	IDR	16.260.750.000	TC	100,00	Ariston Holding NV	100,00		
73	Racold Thermo Private Ltd	India	INR	262.134.750	TC	100,00	Ariston Holding NV	99,99		
							Ariston Thermo spa		0,01	
74	S.H.E. d.o.o. Svilajnac	Serbia	RSD	35.432.220	COM	100,00	Thermowatt spa		100,00	
75	SPM Innovation sas	France	EUR	750.020	BUR	100,00	Ariston Holding NV	100,00		
76	STV France sas	France	EUR	9.730.123	TC	100,00	Ariston Thermo France sas		100,00	
77	Thermowatt Professional srl	Italy	EUR	100.000	COM	100,00	Thermowatt spa		100,00	
78	Thermowatt (Wuxi) Electric Co., Ltd	China	CNY	82.769.200	COM	100,00	Ariston Thermo (China) Co., Ltd		70,00	
							Ariston Holding NV	30,00		
79	Thermowatt spa	Italy	EUR	7.700.000	COM	100,00	Ariston Holding NV	100,00		

The participation shares in this table are the ones relevant for determining the Consolidated financial statements in the column "Group's Controlling interest". The companies acquired with the put/call contracts to be exercised on the remaining shares of the share capital were fully consolidated, together with the acquisition agreement based on the provisions set forth in IFRS3 (see the specific treatment of the individual put/call options in the notes).

(*) Refers to the main Business Line

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 NV	51,00		49,00

(**) The company was not included in the scope of consolidation because of its limited area of operation and little significance.

CONSOLIDATED FINANCIAL STATEMENTS 2020

CONSOLIDATED INCOME STATEMENTS AS AT 31 DECEMBER 2020 (in thousand €)

	notes	31 DEC. 20		31 DEC. 19	
REVENUE					
Revenue	1.1	1,663,971	100.0%	1,710,153	100.0%
Other revenues and income	1.1	27,876	1.7%	21,893	1.3%
Total Revenue	**1.1**	**1,691,847**	**101.7%**	**1,732,046**	**101.3%**
OPERATING EXPENSES					
Change in inventories	1.2	-4,077	-0.2%	-9,273	-0.5%
Raw materials, consumables and goods for resale	1.2	704,746	42.4%	757,790	44.3%
Services	1.3	325,167	19.5%	339,655	19.9%
Personnel	1.4	387,134	23.3%	388,297	22.7%
Amortisation	2.1/2.2	77,677	4.7%	74,376	4.3%
Provisions and write-downs	1.5	19,279	1.2%	15,567	0.9%
Other operating expenses	1.6	32,838	2.0%	31,173	1.8%
Total operating expenses		**1,542,763**	**92.7%**	**1,597,585**	**93.4%**
OPERATING PROFIT		**149,084**	**9.0%**	**134,461**	**7.9%**
FINANCIAL INCOME AND EXPENSE					
F inancial Income	1.7	2,214	0.1%	3,701	0.2%
Financial Expense	1.8	-14,599	-0.9%	-17,246	-1.0%
Exchange rate gains/losses	1.9	-3,452	-0.2%	-156	0.0%
Total financial Income and Expense		**-15,837**	**-1.0%**	**-13,701**	**-0.8%**
PROFIT (LOSS) ON INVESTMENTS					
Valuation according to the equity method		0	0.0%	0	0.0%
Other profit (loss) on investments	1.10	-1,332	-0.1%	5,040	0.3%
Total profit (loss) on investments	1.10	**-1,332**	**-0.1%**	**5,040**	**0.3%**
PROFIT BEFORE TAX		**131,915**	**7.9%**	**125,799**	**7.4%**
TAXES	1.11	**35,227**	**2.1%**	**36,782**	**2.2%**
			26.7%		29.2%
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**96,687**	**5.8%**	**89,017**	**5.2%**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	1.12	0	0.0%	0	0.0%
NET PROFIT/LOSS FOR THE PERIOD		**96,687**	**5.8%**	**89,017**	**5.2%**
Net profit/loss for the period attributable to non-controlling Interests	3.1	**0**	**0.0%**	**0**	**0.0%**
Net profit/loss for the period attributable to equity holders of the Parent	3.1	**96,687**	**5.8%**	**89,017**	**5.2%**
Basic earnings per outstanding share		**3.41**		**3.14**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2020 (in thousand €)

	notes	31 DEC. 20	31 DEC. 19
NET PROFIT/LOSS FOR THE PERIOD	**3.1**	**96,687**	**89,017**
Items that will not be reclassified to the income statement			
Actuarial gains (losses) (*)	3.1	-1,933	-2,878
Sub-total of items that will not be reclassified to the income statement		**-1,933**	**-2,878**
Items that may be reclassified to the income statement			
Gains (losses) from the translation of financial statements	3.1	-40,221	1,884
Net gains (losses) under cash flow hedge reserve (*)	3.1	113	1,304
Sub-total of Items that may be reclassified to the income statement		**-40,108**	**3,188**
Total other gains (losses) net of taxes		-42,041	310
TOTAL PROFIT/LOSS FOR THE PERIOD		**54,646**	**89,327**
Attributable to:			
- Equity holders of the Parent		54,646	89,327
- Non-controlling Interests		0	0

(*) Tax effect included

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (in thousand €)

Assets	notes	31 DEC. 20	31 DEC. 19
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	2.1	285,737	299,932
Other intangible assets	2.1	105,698	111,422
Total intangible assets	**2.1**	**391,435**	**411,354**
Property, plant and equipment			
Land and buildings	2.2	147,135	161,586
Plant and machinery	2.2	106,756	110,295
Other property, plant and equipment	2.2	87,443	97,542
Total property, plant and equipment	**2.2**	**341,333**	**369,424**
Property investment		0	0
Investments in associates	2.3	0	0
Deferred tax assets	2.4	58,304	50,107
Financial assets	2.5	3,878	3,371
Non-current financial assets	2.6	5,127	3,516
Other non-current assets	2.7	7,795	6,208
Total non-current assets		**807,873**	**843,980**
CURRENT ASSETS			
Inventories	2.8	265,490	275,943
Trade receivables	2.9	227,766	237,618
Tax receivables	2.10	12,121	16,007
Current financial assets	2.11	10,000	16,022
Other current assets	2.12	37,087	32,212
Cash and cash equivalents	2.13	452,458	313,346
Total current assets		**1,004,922**	**891,148**
ASSETS HELD FOR SALE	**2.14**	**304**	**377**
TOTAL ASSETS		**1,813,099**	**1,735,505**

LIABILITIES AND EQUITY (in thousand €)

	notes	31 DEC. 20	31 DEC. 19
TOTAL EQUITY			
Share capital	3.1	41,845	41,845
Share premium reserve	3.1	24,008	24,008
Retained earnings and other reserves	3.1	283,976	367,613
Profit/loss for the period attributable to equity holders of the Parent	3.1	96,687	89,017
Total equity attributable to equity holders of the Parent	**3.1**	**446,517**	**522,483**
Non-controlling interests and reserves	3.1	0	0
Profit/loss for the period attributable to non-controlling interests	3.1	0	0
Total equity attributable to non-controlling interests	**3.1**	**0**	**0**
Total equity	**3.1**	**446,517**	**522,483**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	3.2	32,150	32,416
Non-current provisions for risks and charges	3.3	51,827	46,432
Provisions for employee benefits	3.4	58,263	57,601
Non-current financial liabilities	3.5	0	0
Non-current loans	3.6	389,874	434,396
Other non-current liabilities	3.7	40,278	41,626
Total non-current liabilities		**572,392**	**612,471**
CURRENT LIABILITIES			
Trade payables	3.8	364,061	331,128
Tax payables	3.9	21,640	18,741
Current provisions for risks and charges	3.10	31,276	29,487
Current financial liabilities	3.11	33,337	42,742
Current loans	3.12	188,009	22,305
Other current liabilities	3.13	155,868	156,148
Total current liabilities		**794,190**	**600,550**
LIABILITIES HELD FOR SALE	**3.14**	**0**	**0**
TOTAL LIABILITIES AND EQUITY		**1,813,099**	**1,735,505**

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2020 (in thousand €)

				notes	31 DEC. 20	31 DEC. 19
CHANGES IN SHORTTERM FINANCIAL POSITION						
- SHORT-TERM FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD					**295,786**	**291,352**
		Effect of changes in exchange rates			-15,379	4,476
		Changes in short-term financial position			150,307	-1,251
- SHORT-TERM FINANCIAL POSITION AT THE END OF THE PERIOD					**430,714**	**295,786**
		of which:				
		* cash and cash equivalents		2.12	452,458	313,346
		* short-term payables to banks			-21,744	-17,560
STATEMENT OF CASH FLOWS						
CASH FLOW FROM OPERATING ACTIVITIES						
	>	NET PROFIT/LOSS FOR THE PERIOD		3.1	96,687	89,017
		Adjustments for:				
	-	Taxes		1.11	35,227	36,782
	-	Income and expense from financing and investment activities		1.8/1.9/1.10	17,169	8,662
1	**-**	**OPERATING PROFIT**			**149,083**	**134,461**
2	-	Amortisation		2.1/2.2	77,677	74,376
		of which: Amortisation for right-of-use fixed assets			23,709	22,702
3	-	Provisions		1.5	19,279	21,326
4	-	Other adjustments			-206	0
5	**=**	**GROSS OPERATING CASH FLOW**	(+1+2+3+4)		**245,833**	**230,163**
6	-	Change in trade receivables		2.8	-666	-12,204
7	-	Change in inventories		2.7	-3,299	27,355
8	-	Change in trade payables		3.8	40,216	16,723
9	-	Change in other short-term assets/liabilities			5,934	-2,389
10	-	Change in provisions			-3,688	-20,084
11	-	Tax paid			-32,967	-45,803
		Total			**5,530**	**-36,402**
12	**=**	**NET OPERATING CASH FLOW**	(+5+6+7+8+9+10+11)		**251,362**	**193,761**
CASH FLOW FROM INVESTMENT ACTIVITIES						
13	-	Investments in intangible assets		2.1	-13,813	-15,748
14	-	Investments in property, plant and equipment		2.2	-47,257	-68,463
		of which: Investiments in right-of-use assets			-16,559	-24,100
15	-	Investments in financial assets			-26,920	-144,326
16	-	Change in the scope of consolidation			222	4,400
17	-	Value of tangible and intangible assets sold		2.1/2.2	3,273	1,890
18	**=**	**CASH FLOW FROM INVESTMENT ACTIVITIES**	(+13+14+15+16+17)		**-84,495**	**-222,247**
CASH FLOW FROM FINANCING ACTIVITIES						
19	-	Financial income/expense collected/paid			-6,799	-5,103
		dof which: Financial expense pursuant to IFRS16			-1,500	-1,810
20	-	Income/expense on exchange rate		1.9	-8	-7,337
21	-	Increase/decrease in short-term financial payables		3.6/3.11	-4,747	-2,388
		of which: Financial payables pursuant to IFRS16			-1,262	-1,168
22	-	New loans		3.6/3.11	187,032	235,559
		of which: Financial payables pursuant to IFRS16			17,022	25,340
23	-	Loans repayment		3.6/3.11	-63,394	-162,705
		of which: Financial payables pursuant to IFRS16			-25,581	-23,699
24	-	Dividends		3.1	-128,644	-30,790
25	-	Capital and reserves increase/distribution			0	0
26	-	Other changes in equity			0	0
27	-	Buyback/sale of treasury shares		3.1	0	0
28	**=**	**CASH FLOW FROM FINANCING ACTIVITIES**	(+19 / +27)		**-16,561**	**27,235**
29	**=**	**CASH FLOW FROM CONTINUING OPERATIONS**	(+12+18+28)		**150,307**	**-1,251**
30	**=**	**C ASH FLOW FROM DISCONTINUED OPERATIONS**			**0**	**0**
31	**=**	**TOTAL CASH FLOW**	(+29+30)		**150,307**	**-1,251**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020 (in thousand €)

CHANGES IN EQUITY (in thousand €)	Notes	Share capital	Treasury shares	Share premium reserve	Legal reserve	Reserve for gains/ losses in equity	Actuarial gains (losses)	Retained earnings (losses) and other reserves	Profit/ Loss for the year	Total attributable to the Group	Total attribu-table to non controlling interests	Total net equity
Balance as at 31 Dec.2018	**3.1**	**41,845**	**-13,452**	**-82,289**	**8,369**	**-2,548**	**-25,720**	**456,140**	**81,575**	**463,920**	**0**	**463,920**
Consolidated profit allocation								81,575	-81,575	0	0	0
Payment of dividends	3.1							-30,813		-30,813	0	-30,813
Other changes								49		49	0	49
Comprehensive income (loss)						1,304	-2,878	1,884	89,017	89,327	0	89,327
Balance as at 31 Dec.2019	**3.1**	**41,845**	**-13,452**	**-82,289**	**8,369**	**-1,244**	**-28,598**	**508,835**	**89,017**	**522,483**	**0**	**522,483**
Consolidated profit allocation								89,017	-89,017	0	0	0
Payment of dividends	3.1							-128,644		-128,644	0	-128,644
Other changes								-1,968		-1,968	0	-1,968
Comprehensive income (loss)						113	-1,933	-40,221	96,687	54,646	0	54,646
Balance as at 31 Dec.2020	**3.1**	**41,845**	**-13,452**	**-82,289**	**8,369**	**-1,131**	**-30,531**	**427,019**	**96,687**	**446,517**	**0**	**446,517**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS 31 DECEMBER 2020

INTRODUCTION

During the reporting period, following a partial non-proportional spin-off carried out by the Parent, effective 5 May 2020, Ariston Thermo SpA's ownership structure was as follows: Amaranta Srl owns 8.14%, Merloni Holding SpA owns 59.71%, and Ariston Thermo SpA owns 32.15% of the company.

In addition, as part of a process to reorganise and streamline the Group's corporate structure by turning the Parent Company into a holding company that exclusively manages and coordinates its investees, the operational and industrial business unit previously under the charge of the Parent Company was transferred to a new entity, wholly owned by the transferor, named Ariston Thermo Italia SpA. Said business unit consists of the assets, rights, liabilities, employees, and contracts relating to the production and marketing of goods, and includes the investments in the companies Elco Italia SpA and Ariston Thermo Innovative Technologies Srl, owned by the company at 31 December 2019, as well as the investment in AR 1 Srl, which generates and sells electricity from renewable sources and cogeneration.

The transfer became effective for accounting and tax purposes on 1 October 2020, and the transferor changed its name into Ariston Thermo Holding SpA effective as of the same date.

The transaction did not affect the ownership structure of Ariston Thermo Holding SpA, which changed on 5 May 2020.

Ariston Thermo Holding SpA (hereafter also the "Parent Company") is a public limited company incorporated in Italy and enrolled in the Register of Companies of Ancona (no. 104629 R.E.A. of Ancona, Tax Code: 01026940427), with registered office in V.le A. Merloni, 45 - 60044 Fabriano (Ancona) – Italy.

The Parent Company and its subsidiaries (hereinafter the "subsidiaries" and jointly with the Parent Company: the "Group") are primarily active in the business of the production and distribution of thermal comfort and, therefore, water and space heating solutions.

Following are the main accounting standards and assessment criteria applied to the preparation of the consolidated financial statements. The standards adopted are compliant with those applied to the preparation of the comparative statements of equity and financial position.

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

It should also be noted that the model adopted for the statement of financial position contains a "current/non-current item" breakdown, whereas the model adopted for the income statement classifies costs "by type".

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 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.

The Consolidated Financial Statements as 31 December 2020 have been approved by the Board of Directors on 11 March 2021 and audited, and will be submitted to the shareholders' meeting.

INTERNATIONAL ACCOUNTING STANDARDS

COMPLIANCE WITH IFRS – ACCOUNTING STANDARDS

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"). Following the entry into force of European Regulation no. 1606, dated July 2002, Ariston Thermo Group has used the option set forth in Legislative Decree no. 38 of 28 February 2005 and has adopted the International Accounting Standards issued by the International Accounting Standard Board (IASB) and approved by the EU for the preparation of the consolidated financial statements starting from 1 January 2005.

The Parent Company prepares the separate financial statements in compliance with the "accounting standards" under art. 2423 bis, with the "assessment criteria" under art. 2426 and with the provisions under art. 2424 et seq. of the Italian Civil Code, supplemented, where applicable, by the accounting standards set forth by the Italian National Council of Certified Accountants (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*) and reviewed by the Italian Accounting Standard Setter (*Organismo Italiano di Contabilità*).

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION APPLICABLE AS FROM 1 JANUARY 2020

In March 2018, the IASB issued the ***Amendments to References to the Conceptual Framework in IFRS Standards***. These amendments set out definitions and clarify important concepts. The main changes include: attaching more importance to managing economic resources for financial reporting purposes; restoring prudence as an element that supports neutrality; defining the reporting entity, which may be a legal entity or a portion of such entity; revising the definitions of asset and liability; eliminating the probability threshold for recognition and stating that profit or loss is the main indicator of performance and that, in principle, items of income and expenses included in other comprehensive income must be recycled to profit or loss when doing so results in the statement of profit or loss providing more relevant information or a more faithful representation.

In October 2018, the IASB issued a document concerning the ***Amendments to IFRS 3 - Definition of a Business*** with the goal of providing guidelines for entities to determine whether a set of activities and assets can be defined as a business. More specifically, the amendments clarify that a business, considered as an integrated set of activities and assets, must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The definition of output, as amended by this document, focuses on goods and services provided to customers, investment income, and other income, and excludes returns in the form of lower costs or other economic benefits.

Amendments to IAS 1 and IAS 8 - Definition of Material, issued in October 2018, to align the definition of material between the accounting standards and the Conceptual Framework for Financial Reporting and to clarify certain aspects. The definition of material is as follows: "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of a specific reporting entity's general purpose financial statements make on the basis of those financial statements".

Specifically, the amendments clarify that: "obscuring information" concerns situations for which the effect for users of the financial statements is similar to omitting or misstating information whose materiality is assessed in the context of the financial statements as a whole; "Primary users of financial statements", for whom general purpose financial statements are intended, are "existing and potential investors, lenders, and other creditors" who must rely on general purpose financial statements for much of the financial information they need; "materiality" depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements as a whole. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users of financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform, issued in September 2019. The changes modify some specific hedge accounting requirements to mitigate the potential effects of the uncertainty caused by the IBOR (Interbank Offered Rates) reform. In addition, entities are required to provide additional disclosures to investors about the hedging relationships directly affected by said uncertainty. Please note that the reform affects the fair value measurement, the effects of hedge accounting, and net financial results

when the alternative rates will be defined.

On 28 May 2020, the IASB issued amendments to ***IFRS 16 - Covid-19 - Related Rent Concessions***, aimed at giving the option to use temporary exemptions from applying lease modification requirements for any rent concessions obtained by lessees because of Covid-19, if certain requirements are met.

The application of the above amendments did not generate impacts on the Group's financial position and income.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

In January 2020, the IASB issued amendments to **IAS 1**, concerning the **Classification of Liabilities as Current or Non-current**, that influences the requirements of IAS 1 for the presentation of liabilities, including the clarification of one of the criteria used to classify a liability as non-current. The amendments are effective for annual periods beginning on or after 1 January 2022, but earlier application is permitted. In July 2020, the IASB deferred the effective date of this amendment to 1 January 2023.

On 14 May 2020, the IASB issued amendments to ***IFRS 3 - Reference to the Conceptual Framework***, to: (i) update the remaining references to the Conceptual Framework for Financial Reporting in the accounting standard; (ii) provide clarifications on the requirements for recognising funds, contingent liabilities, and levies assumed in a business combination at the acquisition date; (iii) state explicitly that contingent assets acquired in a business combination cannot be recognised.

On 14 May 2020, the IASB issued amendments to ***IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use***, to state that the proceeds from selling items produced while the company is preparing the asset for its intended use shall be recognised in profit and loss, together with the related production costs.

On 14 May 2020, the IASB issued amendments to ***IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract***, providing clarification as to how to determine the cost of fulfilling a contract.

On 14 May 2020, the IASB issued Annual Improvements to ***IFRS Standards 2018-2020***, which include amendments to the following standards: *IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IAS 41 - Agriculture* and the illustrative examples accompanying *IFRS 16 - Leases.*

In June 2020, the IASB issued amendments to ***IFRS 17 - Insurance Contracts***, aimed at helping companies implement the standard and making it easier for them to explain their financial performance. The fundamental principles introduced when the Board first published IFRS 17 in May 2017 remain unaffected. The amendments, which respond to feedback from stakeholders, are designed to: reduce costs by simplifying some requirements in the standard; make financial performance easier to explain; and ease transition by deferring the effective date of the standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.

We do not anticipate a significant impact on our consolidated financial statements or disclosures upon adopting the amendments.

SCOPE OF CONSOLIDATION

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 Thermo Holding SpA either through a direct or indirect equity ownership, with the majority of voting rights at shareholders' 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. Entities are not consolidated on a line-by-line basis if their consolidation, given their operations (e.g., companies that are not yet or no longer operative, or expected to become operative, and companies that have nearly completed the liquidation process), would be quantitatively and qualitatively immaterial in terms of a correct presentation of the Group's financial position and economic result for the year.The exclusion from the consolidation of some subsidiaries, which are not significant either individually or considered together, did not entail a material impact for the purposes of the correct representation of the Group's equity, income and financial situation (in accordance with the provisions of the Framework of the international accounting standards: "information is material if its omission or misstatement

could influence the economic decisions of users taken on the basis of the financial statements").

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 to control them. The consolidation, prepared on a line-by-line basis, was carried out using, for all subsidiaries, a specific reporting package, written based on the IFRS standards adopted by the Group, reclassifying and/or rectifying the accounting data approved by the corporate bodies of the respective companies.

On the basis of the provisions of IFRS 12, hereafter is set out the Group's composition at 31 December 2020, highlighting the controlling interests for the purposes of drawing up the consolidated financial statements.

LIST OF COMPANIES CONSOLIDATED ON A LINE BY LINE BASIS

n°	Company	Registered office	Division (*)	Group's controlling interest
1	Ariston Thermo Holding SpA	Italy	TC	controllante
2	Ar1 Srl	Italy	TC	100.00
3	Ariston Thermo Argentina Srl	Argentina	TC	100.00
4	Ariston Thermo Benelux sa	Belgium	TC	100.00
5	Ariston Thermo Canada Ltd	Canada	TC	100.00
6	Ariston Thermo (China) Co. Ltd	China	TC	100.00
7	Ariston Thermo Croatia Ltd	Croatia	TC	100.00
8	Ariston Thermo CZ sro	Czech Republic	TC	100.00
9	Ariston Thermo Deutschland GmbH	Germany	TC	100.00
10	Ariston Thermo Egypt LLC	Egypt	TC	100.00
11	Ariston Thermo Espana sl Sociedad Unipersonal	Spain	TC	100.00
12	Ariston Thermo Gulf Water Heating LLC	UAE	TC	100.00
13	Ariston Thermo Heating Tech. Nigeria Ltd	Nigeria	TC	100.00
14	Ariston Thermo Holding USA LLC	USA	TC	100.00
15	Ariston Thermo Hungária kft	Hungary	TC	100.00
16	Ariston Thermo India Private Ltd	India	TC	100.00
17	Ariston Thermo Industrial Vietnam Ltd	Vietnam	TC	100.00
18	Ariston Thermo Innovative Technologies Srl	Italy	TC	100.00
19	Ariston Thermo International Srl	Italy	TC	100.00
20	Ariston Thermo Isitma ve Sogutma Sistemleri Ithalat, Ihracat ve Dagitim Ltd. Sti.	Turkey	TC	100.00
21	Ariston Thermo Kazakhstan LLP	Kazakhstan	TC	100.00
22	Ariston Thermo Maroc sa	Morocco	TC	100.00
23	Ariston Thermo MEA SPC	Bahrain	TC	100.00
24	Ariston Thermo Mexico sa de C.V.	Mexico	TC	100.00
25	Ariston Thermo Parts & Services SA	Switzerland	TC	100.00
26	Ariston Thermo Polska Sp. z o.o.	Poland	TC	100.00
27	Ariston Thermo Pte Ltd	Singapore	TC	100.00
28	Ariston Thermo Romania Srl	Romania	TC	100.00
29	Ariston Thermo Rus LLC	Russia	TC	100.00
30	Ariston Thermo SpA	Italy	TC	100.00
31	Ariston Thermo South Africa (Pty) Ltd	South Africa	TC	100.00
32	Ariston Thermo Tunisie sa	Tunisia	TC	100.00
33	Ariston Thermo UK Ltd	United Kingdom	TC	100.00
34	Ariston Thermo Ukraine LLC	Ukraine	TC	100.00
35	Ariston Thermo USA LLC	USA	TC	100.00
36	Ariston Thermo Vietnam Ltd	Vietnam	TC	100.00
37	Atag Construction BV	Netherlands	TC	100.00
38	Atag Electronics BV	Netherlands	TC	100.00
39	Atag Engineering BV	Netherlands	TC	100.00
40	Atag Heating BV	Netherlands	TC	100.00
41	Atag Heizungstechnil Gmbh	Germany	TC	100.00
42	Atag Verwarming Belgie BVBA	Belgium	TC	100.00
43	Atag Verwarming Nederland BV	Netherlands	TC	100.00
44	ATM1 HR sa de V.V.	Mexico	TC	100.00
45	ATM2 HR sa de V.V.	Mexico	TC	100.00
46	Atmor (Dongguan) Electronic Technolgy Co. Ltd	China	TC	100.00
47	Atmor Electronic Technolgy Company Ltd	Hong Kong	TC	100.00
48	Atmor Industries Ltd	Israel	TC	100.00
49	BCE Srl	Italy	BUR	100.00
50	Calentadores de America S.A. de C.V.	Mexico	TC	100.00
51	Chaffoteaux sas	France	TC	100.00
52	Cuenod sas	France	BUR	100.00
53	Domotec AG	Switzerland	TC	100.00
54	Ecoflam Bruciatori SpA	Italy	BUR	100.00
55	Elco Austria GmbH	Austria	TC	100.00
56	Elco B.V.	Netherlands	TC	100.00
57	Elco Belgium nv/sa	Belgium	TC	100.00

n°	Company	Registered office	Division (*)	Group's controlling interest
58	Elco Burners B.V.	Netherlands	BUR	100.00
59	Elco Burners GmbH	Germany	BUR	100.00
60	Elco GmbH	Germany	TC	100.00
61	Elco Heating Solutions Limited	United Kingdom	TC	100.00
62	Elco International GmbH	Germany	TC	100.00
63	Elco Italia SpA	Italy	TC	100.00
64	Elcotherm AG	Switzerland	TC	100.00
65	Fluida S.A. de C.V.	Mexico	TC	100.00
66	Gastech-Energi A/S	Denmark	TC	100.00
67	Kesselheld Gmbh	Germany	TC	100.00
68	Marchi e Brevetti Srl	Italy	TC	100.00
69	NTI Boilers Inc	Canada	TC	100.00
70	NTI Holdings Ltd	Canada	TC	100.00
71	NTI Industrial Inc	Canada	TC	100.00
72	NTI-USA Inc.	USA	TC	100.00
73	PT Ariston Thermo Indonesia	Indonesia	TC	100.00
74	Racold Thermo Private Ltd	India	TC	100.00
75	S.H.E. d.o.o. Svilanjnac	Serbia	COM	100.00
76	SPM Innovation sas	France	BUR	100.00
77	STV France sas	France	TC	100.00
78	Thermowatt Professional Srl	Italy	COM	100.00
79	Thermowatt (Wuxi) Electric Co. Ltd	China	COM	100.00
80	Thermowatt SpA	Italy	COM	100.00

The participation shares in this table are the ones relevant for determining the Consolidated financial statements. The companies acquired with the put/call contracts to be exercised on the remaining shares of the share capital were fully consolidated, together with the acquisition agreement based on the provisions set forth in IFRS 3 (see the specific treatment of the individual put/call options in the notes). The statutory ones can be found in the table at the end of the Notes to the Consolidated financial statements.

(*) Refers to the main division: TC = Thermal Comfort, BUR = Burners, COM = Components

LIST OF COMPANIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

n°	Company	Registered office	Division (*)	Group's controlling interest
1	Joint venture "Ariston Thermo - UTG LLC" (**)	Uzbekistan	TC	51.00

(*) Refers to the main division: TC = Thermal Comfort, BUR = Burners, COM = Components
(**) The company was not included in the scope of consolidation because of its limited area of operation and little significance.

Compared with 31 December 2019, the scope of consolidation is changed due to the following transactions:

- the Italian subsidiary Ariston Thermo Italia SpA was incorporated on 18 March 2020. Later renamed as Ariston Thermo SpA, it is 100% owned by the parent Ariston Thermo Holding SpA;

- the US companies Water Heating Technologies Corporation and HTP Comfort Solutions LLC merged in April 2020, with the resulting entity renamed as Ariston Thermo USA LLC;

- on 17 April 2020, the subsidiary Elco International GmbH acquired 80% of Kesselheld GmbH, which specialises in the installation and maintenance of heating systems. On the remaining 20% of the company, put and call agreements have been entered into to be exercised in 2024. This will enable the Group to acquire total control;

- in May 2020, Ariston Thermo Holding USA LLC (formerly Ariston Thermo USA LLC) exercised a tranche of the put and call commitment set forth in the agreement for the acquisition of Ariston Thermo USA LLC (formerly HTP Comfort Solutions LLC) equal to 31.84%, redetermining its shareholding to 82.84% of the share capital;

- the Italian subsidiary AR1 Srl was incorporated on 7 July 2020, and is 100% owned by the controlling company Ariston Thermo SpA. The company generates and sells electricity from renewable sources and cogeneration;

- in August 2020, Ecoflam Bruciatori SpA exercised the final tranche of the put and call commitment set forth in the agreement for the acquisition of BCE Srl equal to 15%, redetermining its shareholding to 100% of the share capital;

- in September 2020, Ariston Thermo Canada Ltd exercised the final tranche of the put and call commitment set forth in the agreement for the acquisition of the NY Thermal Group equal to 7%, redetermining its shareholding to 100% of the share capital;

- the merger between the French subsidiaries SPM Sas and SPM Innovation Sas was finalised in December of the current year.

For further details on the two acquisitions occurred in the year, reference should be made to the following section "Accounting standards and assessment criteria".

CONSOLIDATION AND TRANSLATION PRINCIPLES

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.

Subsidiaries

The consolidated financial statements of Ariston Thermo Group include the financial statements of the Parent Company and of its 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 recognised at the date of their original acquisition. As regards the symmetric put and call contracts connected to the new acquisitions, they have been represented by recognising under other long-term 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 interest (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 recognised under non-controlling interests.

Associates

The consolidated financial statements include the portion of associates' economic results attributable to the Group. Associates are companies on 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 recognised 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 recognised in the financial statements, the amount of this investment is waived and the portion of exceeding losses is not recognised, except and to the extent of the obligations assumed by the Group.

Transactions excluded from the consolidation process

During the preparation of the consolidated financial statements, all intergroup balances and significant transactions, as well as gains and losses that were generated on intergroup transactions, were not recognised. All realised gains and losses generated on transactions with associates or jointly controlled companies were not recognised according to the Group's interests in those companies.

Consolidation of foreign companies

All assets and liabilities of foreign companies in a 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 recognised under equity until the shareholding is transferred. Goodwill and adjustments to the fair values generated by the acquisition of a foreign company, are recognised 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		2020		2019	
		Average exch. rate	Exch.rate at 31/12	Average exch. rate	Exch.rate at 31/12
EMIRATI DIRHAM	AED	4.2094	4.5065	4.1071	4.1257
ARGENTIN PESO	ARS	103.2494	103.2494	67.2749	67.2749
NEW BELARUSIAN RUBLE	BYN	2.7898	3.1646	2.3426	2.3687
CANADIAN DOLLAR	CAD	1.5327	1.5633	1.4819	1.4598
SVISS FRANC	CHF	1.0703	1.0802	1.1124	1.0854
CHINESE RENMINBI	CNY	7.9112	8.0225	7.7310	7.8205
CZECH KORUNA	CZK	26.4420	26.2420	25.6808	25.4080
DANISH CROWN	DKK	7.4538	7.4409	7.4663	7.4715
EGYPTIAN POUND	EGP	18.0394	19.3168	18.3770	18.0192
ENGLISH STERLING	GBP	0.8892	0.8990	0.8755	0.8508
CROATIAN KUNA	HRK	7.5340	7.5519	7.4167	7.4395
HUNGARIAN FORINT	HUF	351.8861	363.8900	325.5342	330.5300
INDONESIAN RUPIAH	IDR	16,600.4321	17,240.7600	15,803.6174	15,595.6000
INDIAN RUPIAH	INR	85.8509	89.6605	78.6757	80.1870
KAZAKHSTANI TENGE	KZT	474.9192	517.0400	428.5653	429.5100
MOROCCO DIRHAM	MAD	10.8110	10.9190	10.7636	10.7810
MEXICAN PESO	MXN	24.2426	24.4160	23.7134	22.8817
NIGERIAN NAIRA	NGN	456.0900	538.2100	398.3600	400.0000
POLISH ZLOTY	PLN	4.4375	4.5597	4.3017	4.2568
ROMANIAN NEW LEU	RON	4.8445	4.8683	4.7455	4.7830
RUSSIAN RUBLE	RUB	83.4888	91.4671	72.0333	69.9563
SINGAPORE DOLLAR	SGD	1.5792	1.6218	1.5264	1.5111
TUNISIAN DINAR	TND	3.1986	3.2943	3.2819	3.1390
TURKISH NEW LIRA	TRY	8.1122	9.1131	6.3446	6.6843
UKRAINIAN HRYVNIA	UAH	31.4753	34.7689	28.6076	26.7195
US DOLLAR	USD	1.1471	1.2271	1.1202	1.1234
VIETNAM DONG	VND	27,210.6982	28,331.0000	25,828.7145	26,033.0000
SOUTH AFRICAN RAND	ZAR	18.6437	18.0219	16.1728	15.7773

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

Hyperinflation in Argentina

In Argentina, following a long observation period of the inflation rates and other indicators, consensus was reached at global level about the existence of 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 2020 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. 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 2020. For the purposes of the translation into euro of the income statement thus restated, the spot exchange rate at 31 December 2020 was consistently applied rather than the average exchange rate for the period. With reference to consolidated net sales in the period, the effect from the application of the standard entailed a negative change of € 0.9 million in 2020;

- 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

The acquisition of subsidiaries is recognised according to the acquisition method. The acquisition cost is determined by summing the current values, at the trading date, of the transferred assets, of the incurred or acquired liabilities, and of the financial instruments issued by the Group in exchange for the control of the acquired company.

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS (IFRS 3), are recognised at their current values at the acquisition date except for non-current assets (or disposal groups) which are classified as held for sale in compliance with IFRS 5 and recognised and measured at the current value less sale costs. The transaction costs are fully expensed.

The goodwill deriving from the acquisition of a company is recognised under assets and determined initially as an excess of the cost of acquisition compared with the interest of the Group in the current values of the recognised identifiable assets, liabilities and contingent liabilities. If the interest of the Group in the current values of identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the exceeding amount is immediately recognised in the income statement. Non-controlling interests in the acquired company are initially recognised to the extent of their share in the current values of recognised assets, liabilities and contingent liabilities (share of fair value of net assets).

According to the revised IFRS 3 standard, the term “business combination” refers to a transaction where the purchaser obtains control of one or more company’s businesses, or to the effect of the accounting consolidation or combination of different entities or company activities into a single entity for the purpose of the financial statements.

In application of this standard, it is necessary to recognise the “contingent consideration” intended as obligations of the purchaser to transfer additional activities to the previous owners, if specific future events occur or if certain contractual conditions are met. This contingent consideration must be measured at the fair value at the acquisition date.

Accounting treatment of the Gastech-Energi A/S earn-out

On 30 April 2015, 100% of the share capital of the Danish company Gastech was acquired. The acquisition agreement sets forth a mechanism for a subsequent adjustment of the price (earn-out) based on the earning performance of the company at the specific dates set out in the agreement with a likely further payment. Therefore, a liability equal to the current value of the estimated obligation as at the date of its possible exercise, was recognised in the financial statements against a higher goodwill.

The liability, reviewed annually, changed at 31 December 2020, with the subsequent recognition in the income statement of the identified valuation differences.

Accounting treatment of the NY Thermal Group put and call option

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 79% of the NY Thermal Group which occurred on 1 September 2016, 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 21% of the share capital, has been represented by recognising under other long-term liabilities in the statement of financial position the fair value of the payable arising from the purchase and sale options signed at the time of the purchase on all the shares held by minority shareholders, and without the recognition of the residual equity attributable to non-controlling interest.

At 31 December 2020, this liability was written off following the settlement of the final tranche of the call/put option under the purchase agreement, therefore the Group increased its ownership interest to 100%.

Accounting treatment of the HTP Comfort Solutions LLC (now Ariston Thermo USA LLC) put and call option

The acquisition of 51% of HTP Comfort Solutions LLC, which occurred on 28 July 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 49% of the share capital, has been represented by recognising under other long-term liabilities in the statement of financial position the fair value of the payable arising from the purchase and sale options signed at the time of the purchase on all the shares held by minority shareholders, and without the recognition of the residual equity attributable to non-controlling interest.

At 31 December 2020, this liability was reduced due to the settlement of part of the commitment envisaged in the acquisition agreement (i.e. the exercise in May).

The fair value of the liability related to the symmetric options, which is reviewed annually, changed at 31 December 2020, with the subsequent recognition in the income statement of the identified valuation differences. The entity that is subject to a residual put and call, formerly known as HTP Comfort Solutions LLC, is now Ariston Thermo USA LLC.

Accounting treatment of the Atmor Industries Group put and call option

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, has been represented by recognising under other long-term liabilities in the statement of financial position the fair value of the payable arising from the purchase and sale options signed at the time of the purchase on all the shares held by minority shareholders, and without the recognition of the residual equity attributable to non-controlling interest. The liability, reviewed annually, changed at 31 December 2020, with the subsequent recognition in the income statement of the identified valuation differences.

Accounting treatment of the BCE Srl put and call option

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 85% of BCE Srl, which occurred on 1 August 2018, 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 15% of the share capital, has been represented by recognising under other long-term liabilities in the statement of financial position the fair value of the payable arising from the purchase and sale options signed at the time of the purchase on all the shares held by minority shareholders, and without the recognition of the residual equity attributable to non-controlling interest. At 31 December 2020, this liability was written off following the settlement of the final tranche of the call/put option under the purchase agreement, therefore the Group increased its ownership interest to 100%.

Accounting treatment of the Kesselheld GmbH put and call option

The acquisition of 80% of the German company Kesselheld GmbH, which occurred in April, 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 20% of the share capital, has been represented by recognising under other long-term liabilities in the statement of financial position the fair value of the payable arising from the purchase and sale options signed at the time of the purchase on all the shares held by minority shareholders, and without the recognition of the residual equity attributable to non-controlling interest.

The changes in fair value of the liability related to the symmetric options, which is reviewed annually, will be recognised in the income statement.

INTANGIBLE ASSETS

Goodwill

Goodwill arising from the acquisition of a subsidiary or jointly-controlled entity reflects the excess of the acquisition cost over the percentage attributable to the Group, of the fair value of the subsidiary's or jointly controlled entity's identifiable assets, liabilities and potential liabilities at the acquisition date. 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, 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 recognised. This impairment loss is not restored if the reasons that have generated it cease to exist.

If a subsidiary or jointly controlled entity is sold, 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 recognised 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 recognised under assets, only if all of the following conditions are met:

- the asset is identifiable;
- it is probable that the asset will generate future economic benefits;
- the cost for the development of the asset can be accurately measured.

The capitalised development costs include only the expense incurred which may be attributed directly to the development process.

These intangible assets with definite useful life are amortised 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 recognised

in the financial statements, the development costs are recognised in the income statement for the period in which they are incurred.

Other intangible assets

Other intangible assets, whether purchased or internally produced, are recognised 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 and software) with a definite useful life are recognised at purchase or production cost and amortised 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 amortised 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 recognised following the acquisition of a company are recognised separately from the goodwill, if their current value can be accurately measured.

Here below are the principles applied by the Group for intangible assets:

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost, net of accumulated depreciation and impairment losses, if any. Assets with components of a significant value and with a different useful life are recognised separately when depreciated.

The cost incurred subsequent to the purchase is capitalised only if the future economic benefits of the asset to which it refers increase. All other costs are recognised in the income statement for the period in which they are incurred.

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

Land with no construction or annexed to residential and industrial buildings, is not depreciated since it has an unlimited useful life.

The rights of use relating to leases, following the earlier application in 2018 of IFRS 16 which eliminated the distinction between financial lease and operating lease, are recognised in a single accounting model to recognise the lease. In accordance with this model, the entity recognises: (1) assets and liabilities for all leases with a duration of over twelve months; (2) separately in the income statement, the amortisation/depreciation of the recognised 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 lessor as well as the provisions for removal and dismantling, if any, were taken into account.

The new standard mainly concerns operating leases relating to assets such as real estate, machinery and cars/lorries. In addition, the Group used the practical approach, envisaged by IFRS 16.B1, of applying the new standard also to a portfolio of leases which regard similar assets and which have the same characteristics (duration, start date and end date), since the effects from the application of the standard to the portfolio are not materially different from the application of the same standard to the individual contract. Lastly, on the basis of the practical expedients (recognition exemptions for low-value and short-term leases), mainly rent contracts for IT equipment worth around € 0.9 million in annual fees were not considered, and the non-lease components approach was used, on the basis of which all the costs not strictly related to the right of use are not considered, while, to measure the right of use of assets at the date of first application, the initial direct costs are excluded.

With respect to the impact of IFRS 16 on liabilities, please refer to the accounting policy "Finance lease liabilities".

The impact for the year 2020 on the components of profit or loss amount to: € 1.5 million in increased financial charges, € 22 million in increased depreciation and amortisation expense, and € 23.5 million in reversals of lease payments. 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 recognised in the income statement for the year.

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 to sell 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 cash generating unit) is estimated to be lower than its carrying value, it is reduced to the lower recoverable amount. Impairment losses are immediately recognised in the income statement. If a depreciation has no longer a reason to exist, the carrying value of the asset (or of the cash generating unit), 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 recognised in the income statement.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying value and market value less costs to sell.

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.

Financial activities related to ceased or discontinued operations, net of tax effects, are recognised under one single item in the consolidated income statement, including the comparative data of the relevant period.

INVESTMENTS IN ASSOCIATES

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

FINANCIAL ASSETS

In line with the new 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:

- amortised 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 derecognition. The Group classifies in this category listed shares which pass the SPPI test and which are held for the purpose of collecting the contractual and sale cash flows;

- fair value through profit or loss (FVTPL), as a residual category, for assets which are not held in one of the above business models. This category mainly holds financial derivatives held for trading and debt instruments the contractual flows of which are not solely principal and interest.

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.

Financial assets with embedded derivatives are fully valued at fair value through profit or loss, if they do not pass the SPPI test as a single financial instrument.

Financial assets which are classified as contingent consideration are valued at fair value profit or loss.

INVENTORIES

Inventories are recognised at the lesser value between purchase and production cost, according to the weighted average cost method, and their presumed net value based on market price.

Cost includes direct materials and direct labour, general production costs and other costs incurred to bring inventories to their current location and condition.

The expected realisable net value is calculated keeping into account any production and direct costs of sale still to be incurred. 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 realisable value.

TRADE RECEIVABLES

Trade receivables are recognised at fair value of the initial consideration increased by transaction costs and subsequently measured at amortised cost using the effective interest rate method, net of impairment losses that reflect amounts deemed non-recoverable. The effective interest rate is recognised as financial income in the profit and loss statement of the year. Appropriate write-downs, with an estimate of non-recoverable amounts, are recognised in the income statement when there is objective evidence that the receivables have been impaired. Write-downs reflect the difference between the carrying value of receivables and the current value of expected future cash flows discounted at the effective interest rate calculated at the initial recognition.

The provisions of IFRS 9 require the application of the expected credit loss model to assess the recoverability of the financial assets on the basis of a predictive approach; in particular, with reference to trade receivables, the expected losses were generally determined using the simplified approach based on the product of:

(i) the exposure due from the counterparty net of the related mitigants (so-called Exposure at Default, EAD)

(ii) the probability that the counterparty may not comply with their payment obligation (so-called Probability of Default, PD)

(iii) the estimate, in percentage terms, of the quantity of credit that cannot be recovered in the case of default (so-called Loss Given Default, LGD), on the basis of past experience and possible available recovery actions (e.g. out-of-court actions, legal disputes, etc.). In this regard, in order to determine the probability of default by counterparties, the internal ratings were adopted that were previously used for the purposes of the loan. Consolidated trade receivables include also accounts payable of a temporary nature, arising mainly from the recognition of accruals and adjustments to business bonuses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognised 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. This item includes also 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.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at cost, as determined at the settlement date and corresponding to their fair value, net of transaction costs, recognised in the income statement, that are directly attributable to the issue of the financial liability. After the initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. The difference between amortised cost and the redemption value is recognised in the income statement in relation to the duration of liabilities based on accrued interest.

The item "Loans" includes interest-bearing bank loans and bank overdrafts, recognised on the basis of the collected amounts, net of the transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

FINANCE LEASE LIABILITIES

Financial liabilities relating to IFRS 16 leases are initially measured at the present value of the lease fees (fixed and variable) still to be paid.

The Group determines the lease term as the non-cancellable period of the lease, together with both periods covered by an option to extend the lease, if it is reasonably certain to exercise that option, and periods covered by an option to terminate the lease, if it is reasonably certain not to exercise that option.

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).

The redemption 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 amortised cost method.

The discount rate at which the lease fees (fixed and variable) 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".

POST-EMPLOYMENT BENEFITS

Payments for defined contribution plans are recognised in the income statement for the period in which they are due.

The liability related to the short-term benefits granted to employees, paid during the employment relationship, is recognised as the amount accrued at year-end.

The liability related to the benefits granted to the employees and paid at the time of, or following, the end of the employment relationship through defined benefit plans, i.e. the employee severance indemnity and the defined benefit pension plans, is recognised in the period when the right is exercisable, net of any plan assets and of any advance payments, and is calculated on the basis of actuarial assumptions, and recognised on an accrual basis, consistent with the employment obligations to be met in order to obtain the benefits; the liability is calculated by actuaries.

As from 1 January 2013, the Group has applied, on a retrospective basis, the new amendment to *IAS 19 - Employee Benefits.*

More specifically, the amendment has eliminated the option to defer the recognition of actuarial gains and losses according to the corridor method, requiring that all actuarial gains and losses be recognised immediately in the Other Comprehensive Income (OCI), so that the entire net amount of defined benefit provisions (net of plan assets) is recognised in the consolidated statement of financial position. Additionally, the amendment sets forth that changes, between one period and the next, occurring in the defined benefits provision and in the benefit plan assets, must be divided into three components: the cost components related to the work performed in the year must be recognised in the income statement under "service costs"; net financial charges, calculated by applying the appropriate discount rate to the net balance of the defined benefit provision, net of the assets resulting

at the beginning of the period, must be recognised as such in the income statement; actuarial gains and losses deriving from remeasurements of liabilities and assets, following mainly the changes in the demographic and/ or financial actuarial assumptions, must be recognised in "other comprehensive income". In addition, the return on assets under net financial charges, as described above, is calculated on the basis of the discount rate of the liability and no longer of the expected return on assets.

PROVISIONS FOR RISKS AND CHARGES

The Group recognises provisions for risks and charges when it has an obligation, either legal or implicit, 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. Changes in estimates are reflected in the income statement of the period when the change has occurred. In addition, the amortised cost method will be used for assessment where necessary.

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.

TRADE PAYABLES

Trade payables are recognised at their amortised cost, according to the effective interest rate method. Trade payables that are due within normal commercial terms are not discounted.

CONTRIBUTIONS

Public contributions, obtained against investments, are recognised 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.

REVENUE

In order to recognise 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 recognising 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 recognise 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 either over time or at a point in time.
In applying the aforementioned model, Ariston Thermo 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):
In addition, as a result of the new standard IFRS 15, the line item "Revenues" includes the main variable considerations, which in the case of the Group are largely associated with payables to customers. These consist of charges for commercial and marketing services received from customers (approximately € 4.2 million, measured by reference to contractual agreements or standard business practices), the "discounts granted on payments" to customers for prepayments (approximately € 15.4 million, measured by reference to specific terms and conditions of sale), and YEBs (year-end-bonuses), i.e. retroactive year-end bonuses awarded to customers upon meeting specified sales target, should the amount of products purchased during the period exceed a threshold specified in the agreement through offsetting with the amounts payable by the customer (approximately € 79.1 million, measured by reference to the specific year-end calculation). At the moment, rights of return are not material at the Group level. The revenue from the sale of goods is recognised at a point in time on the basis of the means of delivery agreed with the customer (Incoterms, for approximately € 4.3 million), while the revenues from the sale of services and warranties are recognised over the contractual period on the basis of a straight-line method.

INCOME TAXES AND PRE-PAID AND DEFERRED TAXES

Current taxes are based on the taxable income for the year. The taxable income is different from the profit/ loss recognised 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 tax liabilities are calculated at the applicable rates at the end of the reporting period.

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 recognised using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, whereas deferred tax assets are recognised 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 recognised, 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.

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. Deferred taxes are calculated at the tax rate that is expected to be applied when the asset is realised or the liability extinguished. Deferred taxes are recognised directly in the income statement, except for those related to items recognised directly under equity, in which case the deferred taxes are also recognised under equity.

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.

REVENUE STREAM	"REVENUE STREAM" DESCRIZIONE	% REVENUES 2020	% REVENUES 2019
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 characterised by the sale of finished products including variable considerations too.	**70%**	**66%**
DIY (DO IT YOURSELF)	Customers are large retailers (Euronics, Brico, LeRoy Merlin, Modern Trade...). The main performance obligation is characterised 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.	**5%**	**8%**
BUSINESS-TO-BUSINESS (B2B)	The main performance obligation is characterised by the sale of components, burners and heating only for specific projects: e.g., for institutions (schools, hospitals, etc.)	**9%**	**10%**
SERVICE	**Indirect service**: maintenance and repair services offered through Techical Support to the end customer. **Direct service**: maintenance and repair services offered directly to the end customer.	**16%**	**16%**
TOTAL		**100%**	**100%**

TREASURY SHARES

Treasury shares are recognised in the financial statements at purchase cost and deducted from consolidated equity. Gains and losses deriving from the negotiation of treasury shares, net of the related tax effects, are recognised under equity reserves.

TRANSACTIONS IN A FOREIGN CURRENCY

Monetary assets and liabilities originally expressed in a foreign currency, recognised in the financial statements at the exchange rate in effect at the recognition date, are adjusted to the exchange rate at the end of the reporting period by offsetting them in the income statement of the relevant year. 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.

USE OF ESTIMATES AND SIGNIFICANT ASSUMPTIONS

The preparation of the financial statements and related notes in accordance with IFRS standards requires that management provide estimates and assumptions which affect both the carrying amount of assets and liabilities and the disclosure about potential assets and liabilities at the end of the reporting period.

Accordingly, actual results may differ from these estimates. The estimates are used to recognise provisions for credit risks, obsolete stock, benefits to employees, restructuring provisions, other allocations and provisions. Estimates and assumptions are periodically reviewed and the impact of any change is immediately reflected in the income statement.

The estimates, if significant defined in more detail in the specific section of the Notes, are produced by applying specific statistical techniques based on the historic incidence of the carrying values of the relative items together with assumptions on the possible future development with the adoption, where necessary, of subjective assessments of the individual estimated liabilities.

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.

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:

(i) there is an economic relationship between the hedged item and the hedging instrument, such as to offset the related changes in value;

(ii) this ability to offset is not undermined by the counterparty's credit risk level;

(iii) a ratio between the hedged object and the hedging instrument (the so-called hedge ratio) is defined, in line with the risk management objectives, as part of the established risk management strategy, rebalancing where necessary. Changes in the 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 recognised 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, 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 the income statement, is formally documented. Changes in the value of the derivatives designated as fair value hedge and that are qualified as such, are recognised 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 recognised in the income statement, under the same line of the changes in hedged item.

NOTES TO THE FINANCIAL STATEMENTS

INCOME STATEMENT

NOTE 1.1 – REVENUE

During 2020, the Group recorded revenue of € 1,663,971 thousand, compared to € 1,710,153 thousand in the previous year, with a decrease of around € 46 million (-2.7%%).

The decline in sales, adjusting for the exchange rate effect and the expanded scope of consolidation following the acquisition of the Calorex group and Kesselheld GmbH effective May 2019 and April 2020, respectively, would have amounted to € 64 million (-3.7%).
For a more complete analysis, reference should be made to the Directors' Report on Operations.

The Revenue item can be broken down as follows:

REVENUE (in thousand €)	**31 DEC. 2020**	**31 DEC. 2019**
Revenues from sales	1,524,555	1,573,016
Revenues from services	130,729	128,192
Other revenues	8,687	8,945
Total	**1,663,971**	**1,710,153**
Other operating income	27,876	21,893
Total revenue	**1,691,847**	**1,732,046**

"Other operating income" totalled € 31,590 thousand at 31 December 2019 and € 21,893 thousand at 31 December 2020: in accordance with IAS 37 (paragraph 59), the Group reclassified the item relating to the reversal of provisions, totalling € 9,697 thousand, into the notes 1.5 - "Provisions and write-downs" and 1.4 – "Personnel costs", in order to make the balance comparable between 2020 and 2019.

"Other operating 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 include, mainly, extraordinary income related to no longer due obligations; the gains on the disposal of fixed assets, and other income. At 31 December 2020, they amounted to € 27,876 thousand, up by € 5,983 thousand compared to 31 December 2019.

NOTE 1.2 – RAW MATERIALS, CONSUMABLES AND GOODS FOR RESALE

At 31 December 2020, the "Purchase cost of raw materials, consumables and goods for resale" amounted to € 704,746 thousand, down by € 53,044 thousand compared with the same period of the previous year. The trend in purchases and the change in inventories highlight a slight decrease in the average percentage of raw materials consumed to revenue, a percentage which, from 43.8% in 2019, fell to 42.2%, largely because of the steps taken to optimise procurement costs and the trend in raw materials.

NOTE 1.3 – SERVICES

"Costs for services" amounted to € 325,167 thousand versus € 339,655 thousand for the year 2019, down by € 14,488 thousand, and can be detailed as follows:

SERVICES (in thousand €)	31 DEC. 2020	31 DEC. 2019
Logistics and transport	78,746	73,909
Other services	63,171	68,594
Sub-contracted work	48,772	51,910
Advertising and promotion	28,795	35,541
Rental and lease expenses	12,295	15,317
Utilities	16,187	17,710
Bonuses and commissions	18,262	19,196
Consulting services	17,919	17,875
Sub-contracted maintenance	14,949	15,341
Technical support	13,331	13,225
Insurance	6,277	6,393
Directors and Statutory Auditors' Fees	6,463	4,644
Total	**325,167**	**339,655**

The generalised contraction in costs was the result of the steps taken by Management in the wake of the slump induced by the Covid-19 pandemic to contain and optimise costs. Specifically, the reduction was seen mainly in "Advertising and promotion" (€ 6,746 thousand), "Other services" (€ 5,423 thousand), and "Rental and lease expenses" (€ 3,022 thousand). Only "Logistics and transport" moved in the opposite direction and upward, largely because of the greater non-recurring costs incurred during the year to ensure the continuity of the supply chain and distribution to customers during lockdowns.

NOTE 1.4 – PERSONNEL COSTS

In 2020, “Personnel costs” amounted to € 387,134 thousand, down by € 5,101 thousand compared with the same period of the previous year. Costs are detailed as follows:

PERSONNEL (in thousand €)	31 DEC. 2020	31 DEC. 2019
Wages and salaries	304,624	304,859
Social security costs	64,657	66,810
Provision for Employees severance indemnity	6,075	7,222
Provision for retirement benefits and other funds	100	-1,495
Other personnel costs	11,677	10,900
Total	**387,134**	**388,297**

“Personnel costs” totalled € 392,235 thousand at 31 December 2019 and € 388,297 thousand at 31 December 2020: in accordance with IAS 37 (paragraph 59), the Group reclassified the item relating to the reversal of provisions, totalling € 3,938 thousand, out of the note 1.1 - “Revenues”, in order to make the balance comparable between 2020 and 2019. Despite the approximately € 4.2 million contribution from the acquired Kesselheld GmbH, personnel costs were down € 1,163 thousand year-on-year, thanks to the restructuring of the workforce at some of the Group's production sites as well as the streamlining of structures as a result of the plans to contain Covid-19. At 31 December 2020, the Group’s workforce decreased from 7,519 at 31 December 2019 to 7,415.

The headcount by category of employee was:

HEADCOUNT (number of people)	31 DEC. 2020	31 DEC. 2019	Average	Δ
Managers and white collars	3,612	3,681	3,646	-69
Blue collars	3,803	3,838	3,821	-35
Total	**7,415**	**7,519**	**7,467**	**-104**

The acquired company Kesselheld GmbH added 61 employees to the headcount.

NOTE 1.5 – PROVISIONS AND WRITE-DOWNS

During the year, "Provisions and write-downs" were recognised for € 19,279 thousand versus € 15,567 thousand in 2019. In detail, the provisions were the following:

PROVISIONS AND WRITE-DOWNS (in thousand €)	31 DEC. 2020	31 DEC. 2019
Bad debt provision	1,378	1,390
Product warranty provision	5,471	7,812
Provision for installation	3,365	3,411
Provision for legal disputes	1,285	1,797
Provision for restructuring	1,442	417
Other provisions and write-downs	6,338	740
Total	**19,279**	**15,567**

"Provisions and write-downs" totalled € 21,326 thousand at 31 December 2019 and € 15,567 thousand at 31 December 2020: in accordance with IAS 37 (paragraph 59), the Group reclassified the item relating to the reversal of provisions, totalling € 5,759 thousand, out of the note 1.1 - "Revenues", in order to make the balance comparable between 2020 and 2019.

Compared to the prior-year period, provisions and write-downs saw a net increase of € 3,712 thousand and a change in their composition, largely due to the reclassification out of the "Product warranty provision" and into "Other provisions and write-downs".

NOTE 1.6 – OTHER OPERATING EXPENSES

"Other operating expenses" amounted to € 32,838 thousand, substantially in line with the € 31,173 thousand of the previous year, and can be detailed as follows:

OTHER OPERATING EXPENSES (in thousand €)	31 DEC. 2020	31 DEC. 2019
Non-income tax and taxes	5,540	6,004
Losses on receivables	1,017	601
Office supplies and printing	1,681	1,722
Concession rights and other	3,375	4,871
Subsidies and contributions	900	716
Other operating expenses	20,325	17,260
Total	**32,838**	**31,173**

This item includes all ordinary operating expenses that cannot be recognised under other items.

NOTE 1.7 – FINANCIAL INCOME

"Financial income" had a balance of € 2,214 thousand at the end of the period, down compared to the value of € 3,701 thousand at 31 December 2019. The item can be detailed as follows:

FINANCIAL INCOME (in thousand €)	31 DEC. 2020	31 DEC. 2019
Interest income on bank current accounts	1,629	1,899
Interest income and discounts received on payments	80	132
Financial income on provisions for employee benefits	429	1,231
Other financial income	75	438
Total	**2,214**	**3,701**

The year-on-year change was largely attributable to the item "Financial income on provisions for employee benefits" as a result of the change in the average actuarial rate as per IAS 19 of the Swiss associate. "Interest income on bank current accounts" was down and largely referred to the Vietnamese and South African associates as a result of the decline in interest rates and available cash. The item "Other financial income" was down € 356 thousand from 31 December 2019, largely because of the adjustment for hyperinflation of the Argentine associate. The other items making up the total were largely unchanged between the two years in question.

NOTE 1.8 – FINANCIAL EXPENSE

This item shows a balance of € 14,599 thousand versus a balance of € 17,246 thousand at 31 December 2019.
The item can be detailed as follows:

FINANCIAL EXPENSE (in thousand €)	31 DEC. 2020	31 DEC. 2019
Interest expense on MLT bank loans	7,545	5,258
Interest expense on ST bank loans	674	979
Interest expense on other MLT loans	1,647	1,810
Financial expense on provisions for employee benefits	1,0 20	2,223
Other financial expense	3,712	6,976
Total	**14,599**	**17,246**

Compared to the previous year, the item “Interest expense on MLT bank loans” was up as interest expense rose because of the increased drawdown on revolving lines of credit and the new loan agreements entered into in 2020. This was mitigated by the decline in “Other financial expense” – largely attributable to the reduction in interest on discounting from the fair value measurement of the obligations associated with the acquisitions made in previous periods, under which put and call options are to be exercised in the future to obtain total control – and the decrease in “Financial expense on provisions for employee benefits” as a result of the change in the average actuarial rate as per IAS 19 of the Swiss associate.

NOTE 1.9 – EXCHANGE RATE GAINS/LOSSES

"Exchange rate gains/losses" show overall a negative balance of € 3,452 thousand, which can be broken down as follows:

EXCHANGE RATE GAINS/LOSSES (in thousand €)	31 DEC. 2020	31 DEC. 2019
Exchange rate gains	25,456	15,523
Exchange rate losses	-25,463	-22,860
Unrealised exchange rate gains	11,533	10,763
Unrealised exchange rate losses	-14,978	-3,582
Total	**-3,452**	**-156**

"Exchange rate gains and losses" include the monetary changes on the accounting entries that were realised at the end of the reporting period; "Unrealised exchange rate gains and 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 depreciation in the Mexican peso and, to a lesser extent, the Indonesian rupee.

NOTE 1.10 – PROFIT (LOSS) ON INVESTMENTS

The item "Profit (loss) on investments" was negative for € 1,332 thousand, mainly due to the annual revision of the value of obligations relating to put and call options connected to extraordinary acquisitions, with the recognition in the income statement of any valuation differences.

NOTE 1.11 – TAXES

The taxes recognised in the consolidated income statement, compared with the profit before tax, are the following:

TAXES (in thousand €)	31 DEC. 2020	31 DEC. 2019	Δ
Profit before tax	**131,915**	**125,799**	**6,116**
Current taxes	39,461	40,420	-959
Deferred taxes	-4,233	-3,638	-595
Total taxes	**35,227**	**36,782**	**-1,555**
Average rate	26.7%	29.2%	-2.5%

The overall taxes recorded at 31 December 2020 were € 35,227 thousand, with a tax rate of 26.7% on pre-tax income, compared to € 36,782 thousand in 2019, and with a tax rate of 29.2%.
The decrease in value and in percentage of taxes was mainly connected to the country mix and the decline in taxes from previous years as a percentage of the total.
The analysis of the difference between the theoretical tax rate (defined as equal to the Italian rate applicable for the calculation of income taxes) and the actual one for the periods compared is the following:

EFFECTIVE TAX RATE RECONCILIATION (in thousand €)	31 DEC. 2020	31 DEC. 2019
Theoretical tax based on Italian rate	31,659	30,192
Deferred taxes not recognised on losses	3,112	2,124
IRAP (Italian regional tax on productive activity)	2,803	3,577
Taxes from previous years	421	4,496
Effect of tax benefits in Italy	-1,136	-1,272
Tax rate differential	-1,877	-673
Other	244	-1,662
Effective Tax	**35,227**	**36,782**

NOTE 1.12 – PROFIT/LOSS FROM DISCONTINUED OPERATIONS

The year 2020 does not show any figures related to profit/loss from discontinued operations.

NOTE 1.13 – BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share at 31 December 2020 amounted to € 3.41 and are calculated by dividing the net profit for the year attributable to the ordinary shareholders of the Parent Company, of € 96,687 thousand, by the number of ordinary shares outstanding during the period, that is 28,393,150.
The number of outstanding shares is lower than the number of shares issued owing to the purchases of treasury shares by the Parent Company as from 2009.
The diluted earnings per share are the same as the basic earnings per share since there are no elements that may generate a diluted effect.

SPECIAL ITEMS

In 2020, the "Special Items", i.e. income from non-recurring events or transactions, restructuring or employment termination agreements, and other events not representative of normal business operations, caused the Group to recognise charges totalling € 19,584 thousand (€ 14,253 thousand in 2019) in terms of profit before tax, and € 14,048 thousand (€ 10,154 thousand in 2019) in terms of net profit.

These expenses comprise primarily the costs for restructuring operations paid in the current year and allocations to the restructuring provision, as well as, to a lesser extent, other non-recurring income and expenses, while the year-on-year increase was largely the result of the additional costs directly attributable to the Covid-19 emergency.

NON RECURRING TRANSACTIONS

For a description of the main atypical and/or unusual transactions, defined as those transactions which, by their significance, relevance, nature of the counterparty, subject matter and timing (near the end of the financial period), require more details in the financial statements, see the Directors' Report on Operations.

STATEMENT OF FINANCIAL POSITION – ASSETS

NOTE 2.1 – INTANGIBLE ASSETS

At 31 December 2020, "Intangible assets" amounted to € 391,435 thousand, down by a net € 19,919 thousand compared to 31 December 2019, net of the amortisation expense for the period of € 17,869 thousand, in addition to other changes.

The amortisation expense for the period is recognised under the appropriate item in the income statement. Details of and changes in intangible assets are the following:

INTANGIBLE ASSETS

	GOODWILL		OTHER INT. ASSETS			TOTAL	
(in thousand €)	Net value	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2018	**252,587**	**152,530**	**-67,997**	**84,533**	**405,118**	**-67,997**	**337,121**
Change in the scope of consolidation (Calorex Group)	43,264	30,503	-3,150	27,352	73,767	-3,150	70,616
Increases	0	15,748	0	15,748	15,748	0	15,748
Decreases	0	26	0	25	26	0	25
Revaluations/Write-downs	0	-194	37	-157	-194	37	-157
Amortisation	0	0	-16,226	-16,226	0	-16,226	-16,226
Exchange rate effect	4,081	1,066	-425	642	5,147	-425	4,723
Other	0	-3,142	2,646	-496	-3,142	2,646	-496
Total changes	**47,345**	**44,006**	**-17,117**	**26,889**	**91,351**	**-17,117**	**74,234**
As at 31.12.2019	**299,932**	**196,536**	**-85,114**	**111,422**	**496,469**	**-85,114**	**411,354**
Change in the scope of consolidation (Kesselheld)	4,803	27	-6	21	4,829	-6	4,824
Increases	15	13,813	0	13,813	13,828	0	13,828
Decreases	0	-909	771	-138	-909	771	-138
Revaluations/Write-downs	0	34	0	34	34	0	34
Amortisation	0	0	-17,869	-17,869	0	-17,869	-17,869
Exchange rate effect	-11,292	-4,907	1,161	-3,745	-16,199	1,161	-15,037
Other	-7,721	-7,018	9,179	2,161	-14,739	9,179	-5,561
Total changes	**-14,195**	**1,039**	**-6,763**	**-5,724**	**-13,156**	**-6,763**	**-19,919**
As at 31.12.2020	**285,737**	**197,575**	**-91,877**	**105,698**	**483,313**	**-91,877**	**391,435**

The net total amount of the goodwill was € 285,737 thousand, versus € 299,932 thousand at 2019 year-end, and shows a change largely due to the changes in exchange rates, negative for - € 11,292 thousand, and the acquisition of the German company Kesselheld for € 4,803 thousand, resulting from the measurement at fair value of the acquired company, as further detailed in the "Business combinations" note. 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 2020, the impairment test was carried out as described hereinafter.

IMPAIRMENT TEST

On an annual basis, the Group reviews the carrying value of its tangible and intangible assets in order to determine if they have lost value. Should there be significant evidence of such a loss, the amount of the impairment loss is determined by estimating the recoverable value of the cash generating unit to which the assets in question belong.

As clearly indicated in the relevant accounting standards, intangible assets with an indefinite useful life, including goodwill, are tested at least on an annual basis, regardless of any indication of impairment, by comparing the value in use of the related cash generating units. The criterion for determining the value in use follows the IAS 36 guidelines and is based on the current value of the expected future cash flows which are assumed to derive from the ongoing use and the disposal of an asset at the end of its useful life after being discounted at an interest rate that reflects the current money market rates as well as specific risks related to the cash generating unit in question.

DESCRIPTION OF THE CGUS FOR THE GOODWILL

The smallest operating units or groups of operating units, to which future cash flows that are objectively measurable and independent from those generated by other operating units (i. e. the CGUs) are to be associated, have been identified based on the organisational and operating model of the Group.

These sectors represent the most significant breakdown of the risk and benefit profile of the Company.
At 31 December 2020, the reference CGUs were the three divisions to which specific areas of managerial responsibility refer: Thermal Comfort (TC), Burners (BUR), and Components (COM).

ASSUMPTIONS RELATED TO THE IMPAIRMENT PLAN

The discounted cash flow analysis on which the test is based was developed starting from the lockdown period and the scenarios outlined for the 2021-2023 period, prepared under the assumption that the Group will remain fully operational for the foreseeable future. The main assumptions formulated for the preparation of the impairment test are the following:

- **Net invested capital** by CGU (in thousand euro): TC 782,840, BUR 47,321, COM 31,811
- **Goodwill** by CGU (in thousand euro): TC 267,751, BUR 12,486, COM 5,500
- **Trademark** by CGU (in thousand euro): TC 28,440
- **CAGR** (composite annual growth rate of the turnover in 2021-2023) by CGU: TC 2.3%, BUR 1.3%, COM 1.3%
- **WACC** (weighted average cost of capital) by CGU: TC 6.1%, BUR 6.0%, COM 6.8%

IMPAIRMENT TEST RESULTS

Based on the analyses conducted under the above assumptions, and considering also a sensitivity analysis of WACC and CAGR beyond the specific planning timeframe as required by the best practices issued by ESMA in 2020 in the wake of the Covid-19 pandemic, the Group can confirm the adequacy of the reported amounts. The item "Other intangible assets" can be detailed as follows:

OTHER INTANGIBLE ASSETS (in thousand €)	31 DEC. 2020	31 DEC. 2019
Concessions, licenses, trademarks	40,127	42,939
Development costs	20,515	22,473
Software	19,333	18,286
Intangible assets under development	12,233	13,441
Other	13,491	14,283
Total	**105,698**	**111,422**

The item "Concessions, licenses, trademarks" includes, for € 28,440 thousand, the value of sole ownership of the Ariston trademark, since its use was already included in the assets of the Group, acquired in 2008 through a non-proportional division operation of the subsidiary Marchi & Brevetti. Since the trademark has an indefinite useful life, it is subject to impairment test.

The change in "Other intangible assets" from the start of the period amounted to € 5,724 thousand and was primarily due to the amortisation expense for the period and adverse exchange rate movements, not fully offset by € 13,813 thousand in investments for the period. The other intangible assets have a definite useful life and are consequently amortised as necessary.

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 € 6.3 million (€ 8.3 million in 2019) out of a total of € 20.5 million (€ 22.5 million in 2019) reported in the financial statements. For additional details on the main initiatives, see the specific paragraph in the Directors' Report.

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 invested capital 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 2.2 – PROPERTY, PLANT AND EQUIPMENT

At 31 December 2020, "Property, plant and equipment" amounted to € 341,333 thousand, down by a net € 28,091 thousand compared to 31 December 2019.

The depreciation expense for the period is recognised under the appropriate item in the income statement and amounted to € 59,809 thousand.

Details of and changes in property, plant and equipment are the following:

PROPERTY, PLANT AND EQUIPMENT

(in thousand €)	Land and buildings			Plant and machinery			Other property, plant and equipment			Total		
	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2018	**264,721**	**-112,937**	**151,783**	**354,735**	**-262,532**	**92,202**	**286,171**	**-192,018**	**94,152**	**905,626**	**-567,485**	**338,138**
Change in the scope of consolidation (Gruppo Calorex)	15,336	-1,424	13,912	31,633	-18,726	12,907	1,507	-782	725	48,475	-20,932	27,544
Increases	12,134	0	12,134	10,525	0	10,525	36,669	0	36,669	59,328	0	59,328
of which for right of use	*9,503*	*0*	*9,503*	*25*	*0*	*25*	*14,572*	*0*	*14,572*	*24,100*	*0*	*24,100*
Decreases	-1,246	307	-939	824	165	989	-2,119	237	-1,882	-2,541	708	-1,833
Revaluations/Write-downs	121	0	121	32	-13	19	0	0	0	153	-13	140
Depreciation	0	-18,181	-18,181	0	-15,674	-15,674	0	-24,295	-24,295	0	-58,150	-58,150
of which for right of use	*0*	*-12,657*	*-12,657*	*0*	*-202*	*-202*	*0*	*-9,843*	*-9,843*	*0*	*-22,702*	*-22,702*
Exchange rate effect	4,260	-1,236	3,024	2,924	-1,972	952	2,049	-1,057	991	9,232	-4,265	4,967
Other	-1,682	1,415	-267	3,544	4,831	8,375	-13,202	4,382	-8,820	-11,340	10,628	-712
Total changes	**28,922**	**-19,119**	**9,803**	**49,481**	**-31,389**	**18,092**	**24,905**	**-21,516**	**3,389**	**103,307**	**-72,023**	**31,284**
As at 31.12.2019	**293,642**	**-132,056**	**161,586**	**404,216**	**-293,921**	**110,295**	**311,076**	**-213,534**	**97,542**	**1,008,933**	**-639,509**	**369,424**
Change in the scope of consolidation (Kesselheld)	0	0	0	0	0	0	385	-191	194	385	-191	194
Increases	11,064	0	11,064	10,071	0	10,071	26,122	0	26,122	47,257	0	47,257
of which for right of use	*10,084*	*0*	*10,084*	*1,356*	*0*	*1,356*	*5,119*	*0*	*5,119*	*16,559*	*0*	*16,559*
Decreases	-125	-1	-126	-1,120	0	-1,119	-1,847	0	-1,847	-3,092	0	-3,092
Revaluations/Write-downs	0	-74	-74	0	-21	-21	0	2	2	0	-93	-93
Depreciation	0	-19,214	-19,214	0	-16,188	-16,188	0	-24,407	-24,407	0	-59,809	-59,809
of which for right of use	*0*	*-13,553*	*-13,553*	*0*	*-111*	*-111*	*0*	*-10,045*	*-10,045*	*0*	*-23,709*	*-23,709*
Exchange rate effect	-7,654	2,194	-5,460	-11,747	8,101	-3,647	-4,242	2,568	-1,674	-23,643	12,863	-10,780
Other	-6,968	6,327	-642	-2,120	9,485	7,365	-26,927	18,436	-8,491	-36,015	34,248	-1,768
Total changes	**-3,684**	**-10,768**	**-14,452**	**-4,916**	**1,377**	**-3,539**	**-6,509**	**-3,591**	**-10,100**	**-15,108**	**-12,982**	**-28,091**
As at 31.12.2020	**289,959**	**-142,824**	**147,135**	**399,300**	**-292,544**	**106,756**	**304,567**	**-217,125**	**87,443**	**993,824**	**-652,491**	**341,333**

The net decline was largely attributable to the depreciation expense for the period, totalling € 59,809 thousand, only partly offset by € 47,257 thousand in investments.
Another factor was the translation of the assets held by foreign subsidiaries into euro: while this had resulted in a € 4,967 thousand revaluation at 31 December 2019, in 2020 it led to a major € 10,780 thousand write-down.
The change in the consolidation scope contributed to the increase in property, plant and equipment for € 194 thousand. This refers primarily to assets used in the performance of normal production activities measured overall at fair value as at the acquisition date.

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

(in thousand €)	Land and buildings			Plant and machinery			Other property, plant and equipment			Total		
	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2018	**55,751**	**-11,552**	**44,199**	**717**	**-302**	**415**	**27,845**	**-9,370**	**18,476**	**84,313**	**-21,223**	**63,090**
Change in the scope of consolidation (Calorex Group)	2,916	-315	2,602	0	0	0	0	0	0	2,916	-315	2,602
Increases	9,503	0	9,503	25	0	25	14,572	0	14,572	24,100	0	24,100
Decreases	-1,858	912	-947	-13	5	-8	-811	661	-151	-2,683	1,578	-1,105
Revaluations/Write-downs	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation	0	-12,657	-12,657	0	-202	-202	0	-9,843	-9,843	0	-22,702	-22,702
Exchange rate effect	986	-168	818	4	-3	1	554	-186	368	1,543	-356	1,187
Other	-3,344	1,169	-2,175	-144	144	0	-2,059	2,059	0	-5,546	3,371	-2,175
Total changes	**8,203**	**-11,059**	**-2,856**	**-128**	**-56**	**-184**	**12,255**	**-7,309**	**4,946**	**20,330**	**-18,424**	**1,906**
As at 31.12.2019	**63,954**	**-22,611**	**41,343**	**589**	**-357**	**232**	**40,101**	**-16,679**	**23,422**	**104,643**	**-39,647**	**64,998**
Increases	10,084	0	10,084	1,356	0	1,356	5,119	0	5,119	16,559	0	16,559
Decreases	0	0	0	0	0	0	-974	0	-974	-974	0	-974
Revaluations/Write-downs	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation	0	-13,553	-13,553	0	-111	-111	0	-10,045	-10,045	0	-23,709	-23,709
Exchange rate effect	-2,059	667	-1,392	-4	1	-3	-334	169	-165	-2,397	837	-1,560
Other	-6,566	4,754	-1,812	-66	64	-2	-2,277	2,249	-28	-8,909	7,067	-1,842
Total changes	**1,459**	**-8,132**	**-6,673**	**1,286**	**-46**	**1,240**	**1,534**	**-7,627**	**-6,093**	**4,279**	**-15,805**	**-11,526**
As at 31.12.2020	**65,413**	**-30,743**	**34,670**	**1,875**	**-403**	**1,472**	**41,635**	**-24,306**	**17,329**	**108,922**	**-55,452**	**53,472**

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 flows method. The item "Other property, plant and equipment "amounted to € 87,443 thousand, down by € 10,100 thousand compared with 31 December 2019.

The breakdown is detailed below:

OTHER PROPERTY, PLANT AND EQUIPMENT (in thousand €)	31 DEC. 2020	31 DEC. 2019
Industrial and commercial equipment	39,595	45,312
Means of transport	17,542	23,287
Furniture and office equipment	3,259	3,685
EDP machinery	3,413	4,011
Assets under construction	19,101	15,749
Other property, plant and equipment	4,533	5,498
Total	**87,443**	**97,542**

NOTE 2.3 – INVESTMENTS IN ASSOCIATES

At 31 December 2020, there were no investments in associates.

BUSINESS COMBINATIONS

On 17 April 2020, the Ariston Thermo Group acquired 80% of Kesselheld GmbH, with put and call options over the remaining 20%. Kesselheld GmbH specialises in the installation and maintenance of heating systems.
A comparison of the overall acquisition cost to the fair value of the assets acquired gave rise to a €4.8 million difference that was allocated to goodwill.
In the period between the acquisition date and the end of the reporting period, the company has contributed to the income statement of the Ariston Thermo Group with € 6,367 thousand in revenue.

NOTES 2.4 – DEFERRED TAX ASSETS AND LIABILITIES

“Deferred tax assets and liabilities” show a net positive balance of € 26,154 thousand, with an overall positive change of € 8,463 thousand compared with the figure at 31 December 2019.

DEFERRED TAX ASSETS (in thousand €)	31 DEC. 2020	31 DEC. 2019
Product warranty provision	5,698	5,356
Provision for other risks and charges	12,694	12,610
Employee benefits	9,281	10,509
Inventory write-down	1,708	1,913
Property, plant and equipment	1,192	1,770
Losses	6,190	3,095
Other	21,540	14,855
Total	**58,304**	**50,107**

DEFERRED TAX LIABILITIES (in thousand €)	31 DEC. 2020	31 DEC. 2019
Product warranty provision	1,085	1,122
Provision for other risks and charges	3,168	3,256
Employee benefits	1,578	1,753
Property, plant and equipment	7,793	9,790
Assets from Acquisitions	4,705	6,198
Other	13,820	10,298
Total	**32,150**	**32,416**

The effect of deferred tax assets and liabilities on equity rose overall by an amount of € 7,463 thousand and was due to a range of temporary differences.

NOTE 2.5 – FINANCIAL ASSETS

"Financial assets" amounted to € 3,878 thousand at 31 December 2020, up by € 507 thousand compared to 2019. This item mainly consists of the value of "Other investments" held for the medium/long term, measured at fair value, since they are mainly classified as "Debit instruments at fair value through profit or loss (FVTPL)". The increase of € 320 thousand during the period is due in part to the subscription, by the parent company Ariston Thermo Holding SpA, of further equity investment in an "Investment company in risk capital (SICAR) provision" specialising in interventions in sectors where the Group operates and in part to the impact of the provision's measurement in accordance with IFRS 9.

NOTE 2.6 – NON-CURRENT FINANCIAL ASSETS

"Non-current financial assets" of € 5,127 thousand related to liquidity against contractual commitments towards third-party shareholders arising from the acquisition of the American HTP Comfort Solutions LLC (now Ariston Thermo USA LLC) and the acquisition of the German Kesselheld GmbH.

NOTE 2.7 – 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 2020, the item amounted to € 7,795 thousand, up compared with the € 6,208 thousand of 2019. The increase was largely related to regional government grants receivable to promote new investments in technological research and development.

NOTE 2.8 – INVENTORIES

Following is the composition of "Inventories" at 31 December 2020, net of the obsolete stock provision.

INVENTORIES (in thousand €)	31 DEC. 2020	31 DEC. 2019
Raw materials	77,534	79,182
Work in progress and semi-finished goods	9,936	10,327
Finished goods and goods for resale	178,020	186,435
Total	**265,490**	**275,943**

Gross value of inventories, at 31 December 2020, amounted to € 302,979 thousand (€ 313,659 thousand at 31 December 2019), whereas the provision amounted to € 37,489 thousand (€ 37,716 thousand at 31 December 2019).

The net decline in inventories in 2020, totalling € 10,453 thousand, was the result of both the revision of production planning in response to the deep slump in demand induced by Covid-19 during the year and the negative exchange rate effect. The provision set up for obsolete or slow-moving stock is substantially in line with previous year. The obsolescence risk is measured taking into account the stock rotation, calculated monthly as the ratio of inventories to consumption over the last twelve months, and the product life cycle. On the basis of these two parameters, 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 thousand €)	Raw materials	Work in progress and semi-finished goods	Finished goods and goods for resale	Total
As at 31.12.2019	**8,113**	**1,076**	**28,528**	**37,716**
Increases	5,190	830	9,757	15,778
Decreases	-2,785	-40	-2,605	-5,430
Release	-1,751	-382	-7,482	-9,614
Exchange rate effect	-228	-15	-784	-1,027
Other	0	0	66	66
Total changes	**426**	**394**	**-1,047**	**-228**
As at 31.12.2020	**8,539**	**1,470**	**27,480**	**37,489**

It should be noted that the item "Release" includes the income following reversal of the provisions previously recognised, whose reasons for being created have ceased to exist.

The item "Other" shows primarily the reclassifications. 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 € 227,766 thousand, net of a bad debt provision of € 18,787 thousand.

Compared with 31 December 2019, the net balance shows a € 9,852 thousand decrease in absolute values. This decrease was attributable to the strong collection performance, which caused days sales outstanding to improve across all the Group's areas in the second half of the year.
The incidence, in percentage, of trade receivables on the turnover of the last 12 months was equal to 13.7% compared with 13.6% recorded at 31 December 2019.

The bad debt provision of € 18,787 thousand shows a net decrease by € 1,117 thousand compared with 31 December 2019, due to a significant year-on-year decline in past due receivables thanks to the more stringent debt management and collection policy, as well as certain drawdowns as the Group wrote off non-performing loans confirmed to be no longer recoverable.

At 31 December 2020, the provision was deemed to be appropriate for the estimated losses from unsecured or in litigation receivables. Following are the changes in the bad debt provision:

BAD DEBT PROVISION

(in thousand €)	Short term	Medium/long-term	Total
As at 31.12.2019	**11,619**	**8,284**	**19,904**
Increases	1,850	321	2,171
Decreases	-795	-1,210	-2,005
Release	-484	-351	-835
Exchange rate effect	-392	-162	-553
Other	917	-811	106
Total changes	**1,096**	**-2,213**	**-1,116**
As at 31.12.2020	**12,716**	**6,071**	**18,787**

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.

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 2020, the item amounted to € 12,121 thousand versus € 16,007 thousand in 2019, mainly due to:

TAX RECEIVABLES (in thousand €)	31 DEC. 2020	31 DEC. 2019
Other ST tax receivables	8,168	12,643
Tax receivables for taxes paid in excess	1,958	2,081
Tax receivables for receivables from the Parent company	1,995	1,283
Total	**12,121**	**16,007**

The overall € 3,886 thousand reduction was attributable to the item "Other ST tax receivables", which in 2020 was mainly affected by the refund of the excess estimated tax payments made in 2019 by the French subsidiaries. The item does not include deferred taxes that are handled separately.

NOTE 2.11 – CURRENT FINANCIAL ASSETS

At 31 December 2020, the item "Current financial assets" amounted to € 10,000 thousand, down from € 6,022 thousand at the end of 2019. These consist primarily of short-term bank notes or similar tradable instruments held by subsidiaries in China, issued and backed by leading domestic banks and used in commercial transactions with customers and suppliers in order to settle supply agreements. The decline compared to 31 December 2019 was mainly attributable to the contraction in the so-called bank notes in the portfolio of the Chinese subsidiaries as a result of the lower sales generated in 2020, largely because of Covid-19. The item "Current financial assets" included also the positive fair value measurement, as at the reporting date, of derivative financial instruments used to hedge exchange rates, amounting to € 504 thousand, and commodities, totalling € 1,587 thousand. The change in commodity, foreign exchange and interest rates hedges was offset by the change in the underlying hedged item. 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 € 1,132 thousand. For a more detailed explanation of hedging instruments, see section on the instruments for financial risk management.

NOTE 2.12 – OTHER CURRENT ASSETS

"Other current assets" amounted to € 37,087 thousand versus € 32,212 thousand at 31 December 2019. The main items are:

OTHER CURRENT ASSETS (in thousand €)	31 DEC. 2020	31 DEC. 2019
Advances to suppliers	4,396	6,163
Receivables from employees	677	652
Indirect tax receivables	12,296	13,933
Other receivables	19,718	11,464
Total	**37,087**	**32,212**

The € 4,875 thousand increase in "Other current assets" was essentially due to the € 1,767 thousand reduction in "Advances to suppliers" and € 1,637 thousand decrease in "Indirect tax receivables", largely offset by the € 8,254 thousand rise in "Other current receivables". This was largely driven by the Ecobonus tax credits purchased during the reporting period from counterparties that had previously obtained them as a result of 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 Ariston Thermo Group companies.

NOTE 2.13 – CASH AND CASH EQUIVALENTS

"Cash and cash equivalents", amounting to € 452,458 thousand as at the end of 2020, are represented almost entirely by bank and postal account deposits, as shown in the following table:

CASH AND CASH EQUIVALENTS (in thousand €)	31 DEC. 2020	31 DEC. 2019
Bank and postal deposits	448,957	311,847
Cash on hand	3,501	1,499
Total	**452,458**	**313,346**

The item "Bank and postal deposits" is primarily represented by credit balances on current accounts and short term deposits held at the banks used by the Group.

Compared to 31 December 2019, the net balance of cash and cash equivalents was up € 139,112 thousand, largely because of € 170,000 thousand in new short-term lines of credit taken out to deal with potential liquidity stress events caused by the Covid-19 emergency.

The amount of cash with a pre-determined use is not significant.

NOTE 2.14 – ASSETS HELD FOR SALE

At 31 December 2020, the item "Assets held for sale" amounted to € 304 thousand, down by € 73 thousand compared with 31 December 2019. The item includes the assets held for sale by the Romanian subsidiary, recognised at the lower of the carrying value and the market value (net of sale costs). These assets derive from calling upon secured guarantees on trade receivables held by the companies and not collected at their natural expiry date.

STATEMENT OF FINANCIAL POSITION – LIABILITIES

NOTE 3.1 – EQUITY

The total consolidated equity at 31 December 2020 amounted to € 446,517 thousand, down compared with € 522,483 thousand at 31 December 2019.

The overall change, as already explained in the Directors' Report, is the result of the algebraic sum of items of opposite signs, such as:

- the increase in the Group's profit for the period, amounting to € 97 million;

- the reserve for conversion of financial statements into the appropriate 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, which has had a negative impact of € 23 million;

- the exchange rate differences arising from the translation of monetary items that are part of the hedge of a net investment in a foreign operation, in accordance with IAS 21, resulting in a € 17 million negative impact in the reporting period;

- the decrease associated with the € 129 million dividend payout, including € 100.2 million approved by the Ordinary Shareholders' Meeting on 15 December 2020;

- the negative change due to the remeasurement of the pension provisions, for € 1.9 million, mainly following changes in the financial assumptions, recognised in equity in compliance with revised IAS 19.

The "Share capital" of the Parent Company at 31 December 2020, fully subscribed and paid up, is represented by no. 41,845,000 ordinary shares of € 1 each. At the approval date of these financial statements, the Group owns 13,451,850 treasury shares, representing 32.15% of the share capital. During 2020, no further treasury shares were purchased.

The "Cash flow hedge reserve" shows a change due to the recognition of cash flows deriving from instruments, which, pursuant to the provisions of IAS 39, are recognised under "future cash flows hedging instruments". This reserve corresponds to the fair value of existing derivative hedging agreements in effect at 31 December 2020. It is negative for € 1,132 thousand, substantially in line with the previous year, when it was negative for € 1,245 thousand. For further details concerning the change in the hedging values occurring in 2020, see the note 3.11 - "Current financial liabilities" and the note 2.11 - "Current financial assets".

The "Remeasurement reserve" (related to defined benefit pension plans), with a negative € 29,880 thousand, reflects the net effect on actuarial gains (losses) as of 1 January 2012 from the application of the amendment to *IAS 19 - Employee Benefits*. This item also includes the effect on equity of actuarial gains and losses accrued after 1 January 2012 and recognised in the consolidated statement of comprehensive income. The reserve remained negative and fell by € 1.9 million from 2019, following changes in the financial assumptions (see also the note 3.4 - "Provisions for employee benefits").

The "Reserve for the adjustment to fair value of financial assets", which was positive at € 626 thousand, included the fair value measurement at 1 January 2018 recognised under equity of financial assets classified as debit instruments at fair value through profit or loss (FVTPL).

For additional details about the changes occurring during the period in the single items of equity, see the financial statements, in particular the "Consolidated statement of changes in equity".

RECONCILIATION WITH THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

The comparison between the equity that includes the profit (loss) of the year, resulting from the statutory financial statements of the Parent Company Ariston Thermo Holding SpA, and the corresponding consolidated data, is the following:

RECONCILIATION STATEMENT (in thousand €)	31 Dec. 2020 Equity	31 Dec. 2020 Profit for the period	31 Dec. 2019 Equity	31 Dec. 2019 Profit for the period
Separate Financial Statements of Ariston Thermo Holding SpA	**234,941**	**55,483**	**306,896**	**53,596**
Alignment with IAS/IFRS accounting standards of the Parent Company	12,389	358	18,463	787
Consolidation of the subsidiaries and associates' results	140,349	25,535	154,018	30,998
Eliminations of intragroup gains (-) and losses (+) included in inventory	-8,600	-294	-8,727	-1,840
Reversal of intragroup revaluations (-), and write-downs (+), capital gains (-) and losses (+), from consolidated subsidiaries and other adjustments	67,438	15,605	51,833	5,476
Consolidated Financial Statements of Ariston Thermo Holding SpA	**446,517**	**96,687**	**522,483**	**89,017**

The paid dividends are:

DIVIDENDS (in thousand €)	2020	2019	2018
Dividends paid during the period	128,621(*)	28,393	28,393

(*) 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 shareholders' meeting yet to be paid.

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 FOR RISKS AND CHARGES

Current and non-current "Provisions for risks and charges" totalled € 83,103 thousand, up by € 7,184 thousand compared with the previous year.

The following table shows the composition of this item and the changes occurring during the year:

PROVISIONS FOR RISKS AND CHARGES (in thousand €)	**Agent supplementary indemnity provision**	**Product warranty provision**	**Allowance for installation**	**Other provisions**	**Total**
As at 31.12.2019	**2,408**	**50,973**	**5,522**	**17,016**	**75,918**
of which:					
current	**0**	**17,008**	**2,169**	**10,309**	**29,487**
non-current	**2,408**	**33,965**	**3,352**	**6,707**	**46,432**
Change in the scope of consolidation (Kesselheld)	0	71	0	0	71
Increases	295	8,125	3,374	9,844	21,638
Decreases	0	-4,108	-2,837	-2,351	-9,296
Other	-104	-5,460	-129	465	-5,229
Total changes	**190**	**-1,372**	**408**	**7,958**	**7,184**
As at 31.12.2020	**2,598**	**49,601**	**5,930**	**24,975**	**83,103**
of which:					
current	**0**	**16,830**	**2,132**	**12,313**	**31,276**
non-current	**2,598**	**32,770**	**3,798**	**12,661**	**51,827**

"Current provisions for risks and charges" amounted to € 31,276 thousand versus € 29,487 thousand at 31 December 2019, whereas "Non-current provisions for risks and charges" amounted to € 51,827 thousand versus € 46,432 thousand in the previous year.

More specifically, the "Agent supplementary indemnity provision" recognises the accruals for covering indemnities that may be due to agents at their employment termination. This has not substantially changed compared with December 2019.

The "Product warranty provision", which represents estimated costs to be borne for technical support of sold products 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 saw a net € 1,372 thousand decrease—because of the changes occurred during the period, relating to the warranty on installations as well as a negative exchange rate effect, which impacted for - € 2.8 million. The inclusion of the German entity Kesselheld GmbH in the scope of consolidation had a € 71 thousand impact.

The "First installation provision" represents the estimated expense that the Group must bear for interventions of this type on the products. The provision shows a limited increase of € 408 thousand compared to the previous year.

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. The net € 8 million increase referred to provisions for legal disputes, restructuring, taxes, and other risks. The item "Other" includes the effect of exchange rates for the period, releases and reclassifications.

NOTE 3.4 – PROVISIONS FOR EMPLOYEE BENEFITS

The Group has two defined benefit plans for employees; 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 the 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 sponsor company of the employee. 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.

As from 1 January 2013, with the adoption of revised *IAS 19 - Employee Benefits*, which removed the option of deferring the recognition of actuarial gains and losses using the corridor method, the Group restated the provisions for employee benefits from the end of 2012, transposing the deficits which were not recognised previously for around € 41 million.

In 2019, the remeasurement of net liabilities emerging in the period amounted to a negative € 2,749 thousand against the negative € 3,829 thousand of the previous year. This trend was affected mainly by the change in the financial assumptions used, especially at the Swiss subsidiaries, as shown in the description below.

The item "Foreign exchange gains (losses)" shows the differences in exchange rates due to the revaluation of the Swiss franc compared with the consolidation currency.

The following table shows the changes in the provisions for employee benefits that occurred during the period:

EMPLOYEE BENEFITS
(in thousand €)

	Switzerland		Germany		Italy		Other		Total	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Amounts recognised in the income statement										
Current service cost	-4,822	-3,716	-374	-397	-60	0	-301	-211	-5,558	-4,324
Past service cost	0	1,131	0	0	2	0	0	0	2	1,131
Financial expense for obligations	-368	-1,145	-310	-524	-115	-290	-227	-263	-1,020	-2,222
Expected return on plan assets	368	1,140	0	0	0	0	61	92	429	1,232
Net actuarial losses for the year	0	0	-193	-159	0	0	0	0	-193	-159
Curtailment, settlement, plan amendment	0	0	0	0	0	0	0	0	0	0
Other pension cost	-242	-238	0	0	0	0	0	0	-242	-238
Net periodical cost	**-5,065**	**-2,829**	**-877**	**-1,080**	**-174**	**-290**	**-467**	**-382**	**-6,583**	**-4,581**
Group obligations										
Current value of defined benefit plans	-219,824	-213,089	-30,181	-30,044	-14,990	-15,346	-8,170	-8,164	-273,165	-266,643
Fair value of plan assets	218,689	210,068	-49	0	0	0	407	481	219,047	210,549
TOTAL	**-1,134**	**-3,021**	**-30,230**	**-30,044**	**-14,990**	**-15,346**	**-7,763**	**-7,683**	**-54,118**	**-56,094**
Unrecognised plan assets	-4,145	-1,507	0	0	0	0	0	0	-4,145	-1,507
Unrecognised current and past service cost	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
TOTAL	**-5,280**	**-4,528**	**-30,230**	**-30,044**	**-14,990**	**-15,346**	**-7,763**	**-7,683**	**-58,263**	**-57,601**
Changes in obligations during the year										
BEGINNING OF THE PERIOD	**-213,089**	**-189,736**	**-30,044**	**-28,094**	**-15,346**	**-15,275**	**-8,164**	**-5,601**	**-266,643**	**-238,705**
Change in the scope of consolidation	0	0	0	0	0	-310	0	-1,976	0	-2,286
Current service	-4,822	-3,716	-374	-397	-60	0	-301	-211	-5,558	-4,324
Past service	0	1,159	0	0	2	0	0	0	2	1,159
Financial expense	-368	-1,145	-310	-524	-115	-290	-227	-263	-1,020	-2,222
Curtailment, settlement, plan amendment	0	2,177	0	0	0	0	0	0	0	2,177
Gains (losses) resulting from experience	763	364	-132	231	-31	593	-107	193	493	1,381
Actuarial gains (losses) resulting from changes in demographic assumptions	-2,434	0	0	-37	0	0	-2	0	-2,436	-37
Actuarial gains (losses) resulting from changes in financial assumptions	-3,431	-16,504	-1,100	-2,888	-367	-801	-217	-682	-5,116	-20,875
Foreign exchange gains (losses)	-989	-7,461	0	0	0	0	2	0	-988	-7,461
Paid benefits	8,704	5,728	1,605	1,777	928	508	545	403	11,783	8,417
Other	-4,158	-3,955	174	-112	0	228	302	-27	-3,682	-3,866
Total change	**-6,735**	**-23,353**	**-137**	**-1,950**	**356**	**-72**	**-6**	**-2,563**	**-6,522**	**-27,938**
END OF THE PERIOD	**-219,824**	**-213,089**	**-30,181**	**-30,044**	**-14,990**	**-15,346**	**-8,170**	**-8,164**	**-273,165**	**-266,643**
Changes in assets during the year										
BEGINNING OF THE PERIOD	**210,068**	**184,195**	**0**	**49**	**0**	**0**	**481**	**514**	**210,549**	**184,758**
Expected return on plan assets	368	1,140	0	0	0	0	61	92	429	1,232
Company's contributions	5,085	5,063	0	0	0	0	0	0	5,085	5,063
Employees' contributions	3,961	3,957	0	0	0	0	0	0	3,961	3,957
Curtailment, settlement, plan amendment	0	-2,177	0	0	0	0	0	0	0	-2,177
Payments	-8,701	-5,728	0	0	0	0	-74	-151	-8,774	-5,879
Actuarial gains (losses) from plan assets	6,933	16,708	0	0	0	0	5	3	6,937	16,711
Foreign exchange gains (losses)	1,016	7,155	0	0	0	0	0	0	1,016	7,155
Asset ceiling	0	0	0	0	0	0	0	0	0	0
Other	-41	-244	-49	-49	0	0	-66	23	-156	-270
Total change	**8,621**	**25,873**	**-49**	**-49**	**0**	**0**	**-74**	**-33**	**8,499**	**25,791**
END OF THE PERIOD	**218,689**	**210,068**	**-49**	**0**	**0**	**0**	**407**	**481**	**219,048**	**210,549**
Remeasurements dell'obbligazione										
INIZIO PERIODO - Other Comprehensive Income (OCI)	**-18,223**	**-17,284**	**-10,725**	**-8,031**	**-3,675**	**-3,466**	**-2,612**	**-2,624**	**-35,235**	**-31,405**
Other changes	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	498	0	498
Actuarial gains (losses) resulting from changes in demographic assumptions	-2,434	0	0	-37	0	0	-2	0	-2,436	-37
Actuarial gains (losses) resulting from changes in financial assumptions	-3,431	-16,504	-1,100	-2,888	-367	-801	-217	-682	-5,116	-20,875
Gains (losses) resulting from experience	763	364	-132	231	-31	593	-107	193	493	1,381
Actuarial gains (losses) from plan assets	6,933	16,708	0	0	0	0	5	3	6,938	16,710
Asset ceiling	-2,628	-1,507	0	0	0	0	0	0	-2,628	-1,507
Total change	**-797**	**-939**	**-1,232**	**-2,694**	**-399**	**-209**	**-321**	**12**	**-2,749**	**-3,829**
END OF THE PERIOD	**-19,020**	**-18,223**	**-11,957**	**-10,725**	**-4,073**	**-3,675**	**-2,933**	**-2,612**	**-37,984**	**-35,235**
Plan assets structure										
Shares	21.0%	21.0%	0%	0%	0%	0%	0%	0%	21.0%	21.0%
Securities	62.3%	62.3%	0%	0%	0%	0%	0%	0%	62.3%	62.3%
Cash	1.4%	1.4%	0%	0%	0%	0%	0%	0%	1.4%	1.4%
Other assets	15.4%	15.4%	0%	0%	0%	0%	0%	0%	15.4%	15.4%
END OF THE PERIOD	**100%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**100%**	**100%**
Assumptions used										
Discount rate	0.10%	0.20%	0.75%	1.05%	0.34%	0.67%	0.35%	0.65%		
Inflation rate	0.75%	0.75%	1.50%	1.50%	1.00%	1.00%	1.70%	1.70%		
Future salary raises	0.75%	0.75%	1.75%	1.75%	2.00%	2.00%	2.00%	2.00%		
Future pension raises	0.00%	0.00%	1.50%	1.50%	2.25%	2.25%	1.00%	1.00%		
Sensitivity analysis										
Discount rate - % change	+ 0,10%	+ 0,10%	+ 0,5%	+ 0,5%	+ 0,5%	+ 0,5%	+ 0,25%	+ 0,25%		
Discount rate - Obligation value	-3,431	-3,172	-26,804	-26,699	-14,349	-14,681	-2,507	-2,792		

The liability recognised under the "Provision for employee benefits", at 31 December 2020, stood at € 58,263 thousand, with an increase of € 662 thousand compared with the net liability of € 57,601 thousand at 31 December 2019.

NOTE 3.5 – NON-CURRENT FINANCIAL LIABILITIES

At 31 December 2020, there were no "Non-current financial liabilities".

NOTE 3.6 – NON-CURRENT LOANS

Medium/long-term "Non-current loans" amounted to € 389,874 thousand versus € 434,396 thousand at 31 December 2019, and were as follows:

	Current 2020 < 1 year	Current 2019 < 1 year	Non current 2020 < 5 years	Non current 2020 total	Non current 2019 total	Total 2020	Total 2019	Fair Value 2020
TOTAL	**188,009**	**22,305**	**389,874**	**389,874**	**434,396**	**577,883**	**456,701**	**577,883**

Compared to 31 December 2019, total loans were up € 121,182 thousand, largely because of € 170,000 thousand in new lines of credit taken out to deal with potential liquidity stress events caused by the Covid-19 emergency. Meanwhile, in November 2020, the Group repaid the Belgian associate's US Private Placement note, amounting to € 37,064 thousand.

Overall, "Non-current loans" were down € 44,522 thousand from 31 December 2019. This was largely due to the reclassification of the amount due within 12 months on existing loans to "current loans", mitigated by the increase in medium/long-term debt resulting from the new loans taken out in 2020.

The balance of "Current loans" amounted to € 188,009 thousand, up € 165,704 thousand compared with 31 December 2019. The increase was essentially attributable to the reclassification of € 113,000 thousand in the short-term portion of existing loans and € 55,000 thousand in the short-term portion of new loans taken out in 2020.

In accordance with the new standard IFRS 16, below are the carrying amounts of financial liabilities arising from right-of-use assets broken down by maturity at 31 December 2020:

EXPIRY DATES 2020 (in thousand €)	0-12 months	2-5 years	>5 years	TOTAL
FINANCIAL PAYABLES				
- non-current loans		29	8	**37**
- current loans	19			**19**
Total	**19**	**29**	**8**	**56**

NET FINANCIAL INDEBTEDNESS

Following are the figures of the "Net financial indebtedness" of the Group at 31 December 2020:

NET FINANCIAL INDEBTEDNESS (in thousand €)	31 DEC. 2020	31 DEC. 2019
Cash and cash equivalents	-462,459	-329,368
Current financial liabilities	33,337	42,742
Current loans	188,009	22,305
Current net financial indebtedness	**-241,113**	**-264,321**
Non-current loans	389,874	434,396
Non-current financial liabilities	0	0
Net financial position (1)	**148,761**	**170,075**
Net financial indebtedness	**148,761**	**170,075**
in addition, for a correlation with the Group indicators:		
Non-current financial assets	-5,127	-3,516
Net Financial Position (NFP)	**143,634**	**166,559**

1) Definition pursuant to Consob Communication DEM/6064293 of 28.07.06 in application of CESR recommendations of 10.02.05.

In preparing the statement of financial indebtedness, which is a non-IFRS measure, the Group considered the provisions set out in Consob Communication DEM/6064293 of 28 July 2006, with the exception that it included non-current financial assets consisting of financial receivables. In addition, the Group had € 24.9 million in outstanding debts associated with purchases of equity interests. Said debts were largely attributable to the options entered into as part of the acquisitions of non-controlling interests in subsidiaries.
At 31 December 2020, the Group recorded a negative Net financial position of € 144 million compared with a negative balance of € 167 million at 31 December 2019. For further details on changes in the financial situation, please refer to the appropriate section of the Directors' Report on Operations.

NOTE 3.7 – OTHER NON-CURRENT LIABILITIES

"Other non-current liabilities" amounted to € 40,278 thousand versus € 41,626 thousand of the previous year. These liabilities are represented primarily by debts to be extinguished beyond the year. "Other non-current liabilities" largely reflected both the obligations under a three-year long-term incentive plan, to be awarded to the Chairman, the CEO, and a group of senior managers, as well as 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, chief among them the US-based HTP Comfort Solutions LLC (now Ariston Thermo USA LLC), the Danish entity Gastech-Energi A/S, the Israeli group Atmor Industries Ltd, and the newly acquired Kesselheld GmbH.

NOTE 3.8 – TRADE PAYABLES

"Trade payables" at 31 December 2020 amounted to € 364,061 thousand showing an increase of € 32,933 thousand, compared with 31 December 2019, including € 195 thousand attributable to the inclusion of Kesselheld GmbH in the consolidation area. 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 improved in terms of the average number of days for payment, which went from 93 to 95 days.

NOTE 3.9 – TAX PAYABLES

"Tax payables" amounted to € 21,640 thousand versus € 18,741 thousand in 2019.

TAX PAYABLES (in thousand €)	31 DEC. 2020	31 DEC. 2019
Income tax payables	8,479	6,954
Other tax payables	7,156	5,862
Tax payables due to Group companies	6,006	5,925
Total	**21,640**	**18,741**

This item comprises the income tax payables related to foreign companies and the IRES and IRAP tax payables from Italian companies, as well as "Other tax payables" represented by withholdings for employees, tax withholdings for remunerations to third parties and other sundry tax payables.

NOTE 3.10 – CURRENT PROVISIONS FOR RISKS AND CHARGES

This item amounts to € 31,276 thousand 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

At 31 December 2020, "Current financial liabilities" amounted to € 33,337 thousand versus € 42,742 thousand at 31 December 2019.

Liabilities are the following:

CURRENT FINANCIAL LIABILITIES (in thousand €)	31 DEC. 2020	31 DEC. 2019
Bank credit lines	29,641	36,477
Short term bank loans	0	3,741
Other current financial liabilities	3,696	2,523
Total	**33,337**	**42,742**

Payables due to banks for short-term loans showed a € 9,405 thousand decrease essentially due to the lower drawdown on short-term lines and lines of credit denominated in foreign currency used to manage exchange rate risk at the consolidated level. Short-term uncommitted credit lines amounted to approximately € 359 million and are represented almost entirely by current account credit lines and advances.

The item "Other current financial liabilities" included the negative fair value measurement, as at the reporting date, of derivative financial instruments used to hedge interest rates, totalling € 3,696 thousand. The change in commodity, foreign exchange and interest rates hedges was offset by the change in the underlying hedged item. 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 € 1,132 thousand.

For a more detailed explanation of hedging instruments, see section on the instruments for financial risk management

NOTE 3.12 – CURRENT LOANS

The balance of "Current loans" amounted to € 188,009 thousand versus € 22,305 thousand at 31 December 2019. 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 3.6 - "Non-current loans".

NOTE 3.13 – OTHER CURRENT LIABILITIES

“Other current liabilities” amounted to € 155,868 thousand, substantially in line with the € 156,148 thousand at 31 December 2019.

OTHER CURRENT LIABILITIES (in thousand €)	31 DEC. 2020	31 DEC. 2019
Advances from customers	6,982	4,590
Current payables for social security contributions	16,635	14,387
Current payables due to personnel	43,251	37,976
Indirect tax payables	19,302	18,714
Other current payables	69,699	80,481
Total	**155,868**	**156,148**

The item “Advances from customers” shows all advances received from customers for supplies not yet delivered. The € 2,392 thousand increase largely referred to the advances paid on services yet to be completed by the Danish subsidiary.

“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*). The € 2,248 thousand increase over 31 December 2019 was largely the result of the deferred payment of such contributions as a result of the regulations introduced in several countries where the Group operates in the wake of the Covid-19 pandemic.

“Current payables due to personnel” included the amounts accrued by personnel and not yet disbursed, up € 5,275 thousand mainly because of the different measurement of the variable incentives linked to the company's performance.

The item “Indirect tax payables” includes the VAT payables to tax authorities and was essentially in line with 31 December 2019.

The item “Other current payables” includes mostly adjustments of costs and revenues for the year in order to comply with the accrual principle (accruals and deferred income, also relating to financial liabilities) and the put and call options arising from purchase agreements that are to be settled in the near future. In addition, starting from this year, these include also the amounts due and not paid to the entities that sold Ariston Thermo 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 item showed a net decrease of approximately € 11 million, largely because of the settlement of part of the commitment under the purchase agreement for HTP Comfort Solutions LLC, now known as Ariston Thermo USA LLC.

NOTE 3.14 – LIABILITIES HELD FOR SALE

There are no "Liabilities held for sale".

OTHER INFORMATION

COMMITMENTS AND RISKS

The Group reported the following potential liabilities as at the end of the reporting period:

GUARANTEES ISSUED

The sureties issued in favour of third parties amounted to € 686 thousand. Third-party assets in deposit accounts amounted to € 10,573 thousand.

COMMITMENTS

At 31 December 2020, there were no 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".

LEGAL DISPUTES

Provisions recognised in the financial statements are deemed as fair in reference to the legal disputes that may have potential critical outcomes for the Group, also in terms of the significance of such outcomes.

GOVERNMENT GRANTS – INFORMATION UNDER ARTICLE 1, PARAGRAPHS 125-129 OF LAW NO. 124/2017

With respect to the disclosure requirements for government grants, included in article 1 paragraphs 125-129 of Italian Law no. 124/2017 as revised by article 35 of Italian Law Decree no. 34/2019 ("growth decree"), which introduced a series of disclosure requirements for entities that have business dealings with the Public Administration starting from the year 2018, and based on the interpretation issued by Assonime with Circular no. 5 of 22 February 2019 as well as the subsequent Note prepared jointly by Assonime and the Italian National Council of Certified Accountants (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*, CNDCEC) to clarify the changes introduced by the "growth decree", the Group believes that these provisions do not apply in cases of:

- subsidies, grants, benefits and aids, the advantages of which are available to all companies which meet particular conditions on the basis of predetermined general criteria (for example, measures envisaged by ministerial decrees aimed at specific industrial sectors and aimed at completing activities connected to research and development projects);

- general measures that can be used by all companies and which fall within the general structure of the reference system defined by the State (for example, the mechanism to facilitate the reinvestment of profits envisaged by the ACE (Aid to Economic Growth) provision);

- European/non-European public resources.

Considering the above, the Group analysed its situation and decided to set out in this paragraph the amount received during 2020 from the subjects indicated in the following table. This sets out both the amount of the benefits and a brief description of the reasons behind them.

ISSUING ENTITY	RECEIVED CONTRIB. (1) (in euro)	REASON
CUSTOMS AGENCY	43,435	Repayment of customs duties for iron and steel materials
FONDIRIGENTI	5,306	Financing of training programmes
FONDIMPRESA	17,193	Financing of training programmes
G.M.E. - GESTORE MERCATI ENERGETICI	192,279	Energy efficiency certificates
G.S.E. - GESTORE SERVIZI ENERGETICI	672,868	Renewable electricity production incentive tariff
G.S.E. - GESTORE SERVIZI ENERGETICI	19,385	Sale of electricity - dedicated withdrawal agreement
TOTAL	**950,465**	

(1) Amounts received or offset in 2020

For State aid and de minimis regulation aid contained in the national State Aid Registry as set out in art. 52 of Law no. 234 of 24 December 2012, reference should be made to the data published in the "Transparency" section of the registry itself.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Below are the Group's financial instruments recognised by category and level of confidence of their fair value measurements at 31 December 2020:

2020		CARRYING VALUE PER TYPE						FAIR VALUE			
(in thousand €)	Notes	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	452,458	0	452,458	0	0	0	0
Trade receivables	2.9	0	0	0	227,766	0	227,766	0	0	0	0
Current financial assets	2.11	0	2,091	12	7,897	0	10,000	0	2,091	0	2,091
Financial assets	2.5	0	0	0	3,878	0	3,878	0	0	0	0
Non-current financial assets	2.6	0	0	5,127	0	0	5,127	0	0	0	0
Assets held for sale	2.14	304	0	0	0	0	304	0	0	304	304
Total		**304**	**2,091**	**5,139**	**691,999**	**0**	**699,533**	**0**	**2,091**	**304**	**2,395**
Financial liabilities											
Trade payables	3.8	0	0	0	0	364,061	364,061	0	0	0	0
Current financial liabilities	3.11	0	3,696	0	0	29,641	33,337	0	3,696	0	3,696
Current loans	3.12	0	0	0	0	188,009	188,009	0	0	0	0
Non-current financial liabilities	3.5	0	0	0	0	0	0	0	0	0	0
Non-current loans	3.6	0	39,428	0	0	350,446	389,874	0	0	0	0
Total		**0**	**43,124**	**0**	**0**	**932,157**	**975,281**	**0**	**3,696**	**0**	**3,696**
Financial instruments balance		**304**	**-41,033**	**5,139**	**691,999**	**-932,157**	**-275,748**	**0**	**-1,605**	**304**	**-1,301**

The financial instruments of the Group, recognised in the financial statements with a similar breakdown at 31 December 2019, are shown in the table below:

2019		CARRYING VALUE PER TYPE						FAIR VALUE			
(in thousand €)	Notes	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	313,346	0	313,346	0	0	0	0
Trade receivables	2.9	0	0	0	237,618	0	237,618	0	0	0	0
Current financial assets	2.11	0	608	12	15,402	0	16,022	0	608	0	608
Financial assets	2.5	0	0	0	3,371	0	3,371	0	0	0	0
Non-current financial assets	2.6	0	0	3,516	0	0	3,516	0	0	0	0
Assets held for sale	2.14	377	0	0	0	0	377	0	0	377	377
Total		**377**	**608**	**3,528**	**569,737**	**0**	**574,250**	**0**	**608**	**377**	**985**
Financial liabilities											
Trade payables	3.8	0	0	0	0	331,128	331,128	0	0	0	0
Current financial liabilities	3.11	0	2,523	0	0	40,219	42,742	0	2,523	0	2,523
Current loans	3.12	0	0	0	0	22,305	22,305	0	0	0	0
Non-current financial liabilities	3.5	0	0	0	0	0	0	0	0	0	0
Non-current loans	3.-6	0	48,809	0	0	385,587	434,396	0	0	0	0
Total		**0**	**51,332**	**0**	**0**	**779,239**	**830,571**	**0**	**2,523**	**0**	**2,523**
Financial instruments balance		**377**	**-50,724**	**3,528**	**569,737**	**-779,239**	**-256,321**	**0**	**-1,915**	**377**	**-1,538**

Notes:
Level 1: quoted prices in 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 at point 3.11 and point 2.11 of these notes, "Current financial liabilities" and "Current financial assets" include the fair values, at the end of the reporting period, of the derivative financial instruments used to hedge the purchase of commodities, which were positive for € 1,587 thousand, of those used to hedge exchange rates, which were positive for € 504 thousand, and of those used to hedge interest rates, which were negative for € 3,696 thousand. For details on these transactions, see 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.

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.

RISK MANAGEMENT POLICIES

The portion of insured receivables, at 31 December 2020, was 56% 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 life-time 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.

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 2020 was € 100,936 thousand.
The table below summarises the types of instruments protecting against credit risk used by the Group:

TYPE	31 DEC. 2020	%	31 DEC. 2019	%
Receivables under insurance policies	120	53%	129	54%
Other	6	3%	14	6%
TOT insured receivables	127	56%	143	61%
Non-insured receivables	*101*	*44%*	*94*	*39%*
Total receivables	**228**	**100%**	**238**	**100%**

"Other" mainly includes receivables insured through letters of credit and bank guarantees.

PAST-DUE 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 € 16,584 thousand (versus € 22,695 thousand at December 2019) whereas the amount of receivables past-due beyond 60 days is € 14,947 thousand (versus € 23,212 thousand at December 2019). For the purposes of representing trade receivables for issued invoices by past-due ranges, the following table is provided:

TRADE RECEIVABLES AGEING	31 DEC. 2020	%	31 DEC. 2019	%
Performing	197	86%	192	81%
Past-due 0-30	13	6%	17	7%
Past-due 31-60	3	1%	5	2%
Past-due 61-90	2	1%	4	2%
Beyond 120 and legal	13	6%	19	8%

METHOD USED TO CALCULATE THE BAD DEBT PROVISIONS

The allocation for the provision is made on the basis of both analytical and generic assessments, as set out below:

Specific write-down: 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.

Generic write-down: for receivables that are past-due within the year, assessments are applied based on historic analyses in relation to the ageing of the receivables and the level of risk of each individual country, market and type of customer.

Following is the summary of the specific and generic assessments used to determine the bad debt provision:

ANALYSIS OF BAD DEBT PROVISION (in thousand €)		31 DEC. 20	31 DEC. 19
Total receivables	Gross	246.542	257.522
	Provision	18.776	19.904
	Net	**227.766**	**237.618**
Receivables impaired on a specific basis	Gross	8.050	10.885
	Provision	6.406	8.952
	Net	**1.644**	**1.933**
Receivables impaired on a generic basis	Gross	238.492	246.637
	Provision	12.370	10.952
	Net	**226.122**	**235.685**

LIQUIDITY RISK

At 31 December 2020, the Group's "Overall available liquidity", defined as the sum of cash and cash equivalents and the unused portion of committed lines of credit only (equal to € 380 million at year-end) amounted to approximately € 830 million. With short- and long-term bank loans, totalling over € 1,200 million as at the same date, of which approximately 40% has been used, the Group continues to carefully manage the liquidity risk. The bank credit lines currently available to the Group, the cash and cash equivalents from operating activities, are therefore assessed as more than fair and such as to allow the Group to promptly and financially meet all its obligations by the due dates. The Group manages its liquidity by using cash and cash equivalents in short-term technical forms or involving easy disposal.

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 2020

(in million €)	<1 month	2-6 months	6-12 months	1-5 years	>5 years	Total
Trade payables	**91**	**263**	**6**	**4**	**0**	**364**
Financial payables						
-current financial liabilities	24	9				**33**
-current loans		12	176			**188**
-non-current financial liabilities						
-non-current loans				391	10	**401**
Total financial payables	**24**	**21**	**176**	**391**	**10**	**623**
Total	**115**	**284**	**182**	**395**	**10**	**986**

The details for the expiry dates of financial and trade payables at 31 December 2019 are shown in the table below:

EXPIRY DATES 2019

(in million €)	<1 month	2-6 months	6-12 months	1-5 years	>5 years	Total
Trade payables	**110**	**216**	**3**	**2**	**0**	**331**
Financial payables						
-current financial liabilities	27	16				**43**
-current loans			59			**59**
-non-current financial liabilities						
-non-current loans				281	132	**413**
Total financial payables	**27**	**16**	**59**	**281**	**132**	**515**
Total	**137**	**232**	**62**	**283**	**132**	**846**

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 risk management policies applied to interest rates, exchange rates and commodities, are centrally defined to minimise 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 characterised 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, rouble, 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 forth in its 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 to recognise 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, which came into force as from 1 January 2018. In order to minimise the exposure to the transaction risk, the Group uses derivative forward instruments which allow for a 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 the currency	Notional amount in €
CHF	**3.43**	**3.18**
GBP	**1.40**	**1.56**
CNY	**-17.0**	**-2.12**
USD	**3.3**	**2.67**

At the same date, the fair value of the foreign exchange derivatives was overall positive, standing at € 504 thousand.
In relation to exchange rate risk, the Group undertook sensitivity analysis to determine any impact on the final profit before tax from potential fluctuations in exchange rates between the euro and 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 DEC. 2020	
Foreign currency revaluation	3	3
Foreign currency devaluation	-3	-3

COMMODITY PRICE FLUCTUATION RISK

Profit and losses 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 Thermo Holding SpA, 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 the next years. Thus, the Group partly hedged purchases also for the years 2020, 2021 and 2022.
The Group hedged price risk with forward and average forward financial instruments that allow it to achieve the goals set out in its risk management policy. In pursuing said goals, 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 to recognise 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, which came into force as from 1 January 2018.

When these instruments no longer qualify for hedge accounting, they are recognised as trading instruments.

As 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 euro)
Copper	Forward	1,140	6.024
Nickel	Average Forward	49	0.604
Nickel	Forward	16	0.19
Silver	Average Forward	2.25	1.235
Aluminium	Forward	250	0.43

At the same date, the fair value measurement of the derivatives on commodities showed a positive € 1,587 thousand and was classified under "Other current financial assets".

Derivatives contracts entered into and closed during the year resulted in positive items amounting to approximately € 0.772 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 loans of the Group. The amount of variable rate debt exposure of the Group, not hedged against interest rate risk, represents the main element of risk for the negative impact from an increase in the market interest rates. The interest rate risk to which the Group is exposed originates primarily from the medium/long-term financial payables. The Group's policy for managing this risk seeks to strike a balance between fixed- and variable-rate debts, considering the maturity profile and short-term market outlook — including for the purposes of curbing funding costs. Following the mid-long term loans, the Group has, at 31 December 2020, Interest Rate Swap (IRS) transactions with leading financial counterparties for a notional total amount of € 222 million. At 31 December 2020, 63% of medium/long-term gross debt, in relation to third parties, is at a fixed rate and 37% is 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 + € 1.4 million and - € 1.2 million, respectively, at the end of 2020, up from +/- € 0.6 million at the end of 2019. There were no material impacts on the Group's net profit and equity.

HEDGING INSTRUMENTS

In summary, at 31 December 2020, 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 and aluminium
• against interest rates – medium-long term floating rate loans
The hedging instruments applied to exchange rates were set up in order to reduce the economic and transactional risk of the Group, and they meet all the formal requirements set forth in the IAS/IFRSs and are therefore recognised in hedging accounting.
The following table shows the details of hedging instruments in use at 31 December 2020. The amounts are expressed in million euro:

HEDGING INSTRUMENTS 2020

(in million €)	Hedged risk nature	Fair value 31.12.20	Non current financial assets	Current financial assets	Non current financial liabilities	Current financial liabilities	Total
Interest Rate Swap	Tassi di int.	-3.7				-3.7	-3.7
Average Forward	FX	0.5		0.5			0.5
Forward	commodity	1.2		1.2			1.2
Average Forward	commodity	0.4		0.4			0.4
Total		**-1.6**		**2.1**		**-3.7**	**-1.6**

The following table shows the details of hedging instruments in use at 31 December 2019. The amounts are expressed in million euro:

HEDGING INSTRUMENTS 2019

(in million €)	Hedged risk nature	Fair value 31.12.20	Non current financial assets	Current financial assets	Non current financial liabilities	Current financial liabilities	Total
Interest Rate Swap	Tassi di int.	-1.9				-1.9	-1.9
Average Forward	FX	-0.6				-0.6	-0.6
Forward	commodity			0.3			0.3
Average Forward	commodity			0.3			0.3
Total		**-2.5**		**0.6**		**-2.5**	**-1.9**

RELATED PARTY DISCLOSURES

Based on the transactions carried out by Ariston Thermo Group during 2020, related parties are mainly represented by:

- companies directly and/or indirectly related to the majority shareholder of Ariston Thermo Holding SpA;

- Directors and Statutory Auditors and/or companies related to the same.

The following table shows the figures of the main transactions with related parties:

RELATED PARTY DISCLOSURES

(in thousand €)	31 DEC. 2020				31 DEC. 2019			
	Receivables	Payables	Revenue	Costs	Receivables	Payables	Revenue	Costs
Fondazione A. Merloni	6	0	5	500	6	0	5	500
Novapower Srl	9	56	9	225	8	33	8	29
Janus Immobili per l'Industria	0	0	0	983	0	0	0	984
Novapower L2 Srl	9	0	0	0	18	0	8	0
San Lorenzo Srl	0	0	0	0	8	0	8	0
EU.RO.MA. Srl	0	0	0	0	8	0	8	0
Eliosuasa Srl	0	0	0	0	8	0	8	0
Novacapital Srl	0	0	0	0	13	0	13	21
Total	**24**	**56**	**14**	**1.708**	**69**	**33**	**58**	**1.534**

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 the companies of the Group. These transactions are regulated by market conditions and based on the characteristics of the services provided. The main transactions with related parties concern Janus Immobili per l'Industria and consist of rental charges for the logistic site of Borgo Tufico (Ancona).

FEES

Fees attributable to the year and represented by the remunerations to Directors and Statutory Auditors of the Parent Company, at 31 December 2020, are summarised as follows:

FEES (in thousand €)

			FEES	
OFFICE	**PERIOD**	**TERM OF OFFICE**	**FEES FOR THE OFFICE HELD (1)**	**OTHER FEES (2)**
Directors	2018-19-20	Fin. Stat. approval 2020	2,647	357
Statutory auditors	2018-19-20	Fin. Stat. approval2020	99	
TOTAL			**2,746**	**357**

(1) Fixed remuneration pursuant to art. 2389, 3rd paragraph, civil code and/or attendance bonus.
(2) Gross remuneration to employees.

In addition, the Chairman, the Chief Executive Officer and a group of senior managers are the beneficiaries of an incentive system based on the allocation of phantom options, which envisages a cash payment within the time frames set forth for exercise of the options (from May 2019 to May 2022 for the incentive plan for 2016, from May 2020 to May 2023 for the incentive plan for 2017, from May 2021 to May 2024 for the incentive plan for 2018, from May 2022 to May 2025 for the incentive plan for 2019 and from May 2023 to May 2026 for the incentive plan for 2020), according to the "creation of value" realised by the Group at the end of a three-year period from the assignment. The payment of this bonus is subject to the continuation of the professional relationship with the Group.

The amount of the charge has been estimated by hypothesizing the achievement of the objectives for the optimisation of the Group that are implicit in the medium term plan that the Group updates each year, taking into account the reasonable expectation that the incentive plan will be annually replicated in the foreseeable future thus generating a recurrent cost.

The entire charge of each phantom option plan has been recognised in the period based on the reasonable expectation that this plan will be annually replicated in the foreseeable future thus generating a recurrent cost.

The amount of the charge has been estimated by assuming the achievement of the objectives for the optimisation of the company that are implicit in the medium-term plan that the company updates each year.

EVENTS AFTER THE REPORTING PERIOD

Significant events occurring after the reporting period, if any, are detailed in the "Directors' Report on Operations" attached to the financial statements.

LIST OF COMPANIES AS AT 31 DECEMBER 2020

n°	Company	Registered office	Curr.	Share capital	Group's controlling interest	Investing Companies	Direct controlling Interest	Subsidiaries' controlling Interest	Minority interest
1	Ariston Thermo Holding SpA	Italy	EUR	41,845,000	Parent comp.				
2	AR1	Italy	EUR	200,000	100.00	Ariston Thermo SpA		100.00	
3	Ariston Thermo Argentina Srl	Argentina	ARS	16,705,269	100.00	Ariston Thermo International Srl Thermowatt SpA		99.63 0.37	
4	Ariston Thermo Benelux sa	Belgium	EUR	176,000,000	100.00	Ariston Thermo Holding SpA Ariston Thermo International Srl	70.01	 29.99	
5	Ariston Thermo Canada Ltd	Canada	CAD	43,000,000	100.00	Ariston Thermo International Srl		100.00	
6	Ariston Thermo (China) Co., Ltd	China	CNY	145,885,010	100.00	Ariston Thermo International Srl		100.00	
7	Ariston Thermo Croatia Ltd	Croatia	HRK	800,000	100.00	Ariston Thermo International Srl		100.00	
8	Ariston Thermo CZ sro	Czech Republic	CZK	30,000,000	100.00	Ariston Thermo International Srl		100.00	
9	Ariston Thermo Deutschland GmbH	Germany	EUR	255,700	100.00	Elco International GmbH		100.00	
10	Ariston Thermo Egypt LLC	Egypt	EGP	10,900,000	100.00	Ariston Thermo International Srl Ariston Thermo Holding SpA	 0.01	99.99	
11	Ariston Thermo Espana sl Sociedad Unipersonal	Spain	EUR	800,000	100.00	Ariston Thermo Holding SpA	100.00		
12	Ariston Thermo Gulf Water Heating LLC	UAE	AED	400,000	100.00	Ariston Thermo International Srl Third parties		49.00	 51.00
13	Ariston Thermo Heating Tech.Nigeria Ltd	Nigeria	NGN	10,000,000	100.00	Ariston Thermo International Srl		100.00	
14	Ariston Thermo Holding USA LLC	USA	USD	63,037,687	100.00	Elcotherm AG		100.00	
15	Ariston Thermo Hungária kft	Hungary	HUF	131,000,000	100.00	Ariston Thermo International Srl		100.00	
16	Ariston Thermo India Private Ltd	India	INR	220,000,000	100.00	Ariston Thermo Holding SpA Ariston Thermo International Srl	23.00	 77.00	
17	Ariston Thermo Industrial Vietnam Ltd	Vietnam	VND	41,600,000,000	100.00	Ariston Thermo International Srl		100.00	
18	Ariston Thermo Innovative Technologies Srl	Italy	EUR	2,000,000	100.00	Ariston Thermo SpA		100.00	
19	Ariston Thermo International Srl	Italy	EUR	27,000,000	100.00	Ariston Thermo SpA	100.00		
20	Ariston Thermo Isitma ve Sogutma Sistemleri Ithalat, Ihracat ve Dagitim Ltd. Sti.	Turkey	TRY	66,157,500	100.00	Ariston Thermo International Srl Ariston Thermo SpA	 0.39	99.61	
21	Ariston Thermo Kazakhstan LLP	Kazakhstan	KZT	212,100	100.00	Ariston Thermo International Srl		100.00	
22	Ariston Thermo Maroc sa	Morocco	MAD	3,000,000	100.00	Ariston Thermo International Srl		100.00	
23	Ariston Thermo MEA SPC	Bahrain	USD	2,526,596	100.00	Elcotherm AG		100.00	
24	Ariston Thermo Mexico sa de C.V	Mexico	MXN	2,350,000,000	100.00	Elcotherm AG Ariston Thermo Holding USA LLC		99.99 0.01	
25	Ariston Thermo Parts & Services sa	Switzerland	EUR	940,551	100.00	Elcotherm AG		100.00	
26	Ariston Thermo Polska Sp. z o.o.	Poland	PLN	12,000,000	100.00	Ariston Thermo International Srl		100.00	
27	Ariston Thermo Pte Ltd	Singapore	SGD	100,000	100.00	Ariston Thermo International Srl		100.00	
28	Ariston Thermo Romania Srl	Romania	RON	29,041,740	100.00	Ariston Thermo International Srl		100.00	
29	Ariston Thermo Rus LLC	Russia	RUB	1,403,787,727	100.00	Ariston Thermo International Srl		100.00	
30	Ariston Thermo SpA	Italy	EUR	30,100,000	100.00	Ariston Thermo Holding SpA	100.00		
31	Ariston Thermo South Africa (Pty) Ltd	South Africa	ZAR	100	100.00	Ariston Thermo International Srl		100.00	
32	Ariston Thermo Tunisie sa	Tunisia	EUR	500,000	100.00	Elcotherm AG Third parties		66.70	 33.30
33	Ariston Thermo UK Ltd	UK	GBP	7,500,000	100.00	Ariston Thermo SpA	100.00		
34	Ariston Thermo Ukraine LLC	Ukraine	UAH	38,705,753	100.00	Ariston Thermo International Srl		100.00	
35	Ariston Thermo USA LLC	USA	USD	10,275,184	100.00	Ariston Thermo USA Holding LLC Third parties		82.84	 17.16
36	Ariston Thermo Vietnam Ltd	Vietnam	VND	31,471,000,000	100.00	Ariston Thermo International Srl		100.00	
37	Atag Construction B.V.	Netherlands	EUR	1	100.00	Atag Verwarming Nederland B.V.		100.00	
38	Atag Electronics B.V.	Netherlands	EUR	1	100.00	Atag Verwarming Nederland B.V.		100.00	
39	Atag Engineering B.V.	Netherlands	EUR	1	100.00	Atag Verwarming Nederland B.V.		100.00	
40	Atag Heating B.V.	Netherlands	EUR	10,000	100.00	Ariston Thermo Benelux sa		100.00	
41	Atag Heizungstechnil GmbH	Germany	EUR	512,000	100.00	Atag Heating B.V.		100.00	
42	Atag Verwarming Belgie BVBA	Belgium	EUR	18,600	100.00	Atag Heating B.V.		100.00	
43	Atag Verwarming Nederland B.V.	Netherlands	EUR	18,000	100.00	Atag Heating B.V.		100.00	

n°	Company	Registered office	Curr.	Share capital	Group's controlling interest	Investing Companies	Direct controlling Interest	Subsidiaries' controlling Interest	Minority interest
44	ATM1 HR sa de C.V.	Mexico	MXN	50,000	100.00	Ariston Thermo USA Holding LLC Ariston Thermo Canada Ltd		99.99 0.01	
45	ATM2 HR sa de C.V.	Mexico	MXN	50,000	100.00	Ariston Thermo USA Holding LLC Ariston Thermo Canada Ltd		99.99 0.01	
46	Atmor (Dongguan) El. Technology Co. Ltd	China	USD	1,000,000	100.00	Atmor Electronic Technology Co. Ltd		100.00	
47	Atmor Electronic Technology Co. Ltd	Hong Kong	HKD	10,000	100.00	Atmor Industries LTD		100.00	
48	Atmor Industries LTD	Israel	USD	1,790,409	100.00	Elcotherm AG Third parties		80.00 	 20.00
49	BCE Srl	Italy	EUR	10,400	100.00	Elcotherm Bruciatori SpA		100.00	
50	Calentadores de America sa de C.V.	Mexico	MXN	1,226,643,637	100.00	Ariston Thermo Mexico sa de C.V Ariston Thermo USA Holding LLC		99.99 0.01	
51	Chaffoteaux sas	France	EUR	54,682,110	100.00	Ariston Thermo Holding SpA Elco International GmbH	99.99 	 0.01	
52	Cuenod sas	France	EUR	15,422,390	100.00	STV France sas		100.00	
50	DHE Srl	Italy	EUR	100,000	100.00	Thermowatt SpA		100.00	
53	Domotec AG	Switzerland	CHF	50,000	100.00	Elcotherm AG		100.00	
54	Ecoflam Bruciatori SpA	Italy	EUR	3,690,000	100.00	Ariston Thermo Holding SpA	100.00		
55	Elco Austria GmbH	Austria	EUR	35,000	100.00	Elcotherm AG		100.00	
56	Elco B.V.	Netherlands	EUR	2,046,004	100.00	Elco Burners B.V.		100.00	
57	Elco Belgium nv/sa	Belgium	EUR	1,300,000	100.00	Ariston Thermo Benelux sa Elco B.V.		99.99 0.01	
58	Elco Burners B.V.	Netherlands	EUR	22,734	100.00	Ariston Thermo Benelux sa		100.00	
59	Elco Burners GmbH	Germany	EUR	25,000	100.00	Elco International GmbH		100.00	
60	Elco GmbH	Germany	EUR	50,000	100.00	Elco International GmbH		100.00	
61	Elco Heating Solutions Limited	UK	GBP	3,001,750	100.00	Ariston Thermo UK Ltd		100.00	
62	Elco International GmbH	Germany	EUR	8,691,962	100.00	Ariston Thermo Holding SpA	100.00		
63	Elco Italia SpA	Italy	EUR	3,500,000	100.00	Ariston Thermo SpA		100.00	
64	Elcotherm AG	Switzerland	CHF	1,000,000	100.00	Ariston Thermo Holding SpA	100.00		
65	Fluida sa de C.V.	Mexico	MXN	302,188,920	100.00	Calentadores de America sa de C.V. Ariston Thermo USA Holding LLC		99.99 0.01	
66	Gastech-Energi A/S	Denmark	DKK	7,554,935	100.00	Ariston Thermo SpA	100.00		
67	Kesselheld GmbH	Germany	EUR	83,333	100.00	Elco International GmbH Third parties		80.00 	 20.00
68	Marchi e Brevetti Srl	Italy	EUR	10,000	100.00	Ariston Thermo Holding SpA	100.00		
69	NTI-Boilers Inc	Canada	CAD	28,210	100.00	NTI Holdings Ltd		100.00	
70	NTI-Holdings Ltd	Canada	CAD	13,058,901	100.00	Ariston Thermo Canada Ltd		100.00	
71	NTI-Industrial Inc	Canada	CAD	100	100.00	NTI Holdings Ltd		100.00	
72	NTI-USA Inc.	USA	USD	100	100.00	NY Boilers Inc.		100.00	
73	PT Ariston Thermo Indonesia	Indonesia	IDR	16,260,750,000	100.00	Ariston Thermo International Srl Ariston Thermo Holding SpA	 40.00	60.00 	
74	Racold Thermo Private Ltd	India	INR	262,134,750	100.00	Ariston Thermo International Srl Ariston Thermo Holding SpA	 22.51	77.49 	
75	S.H.E. d.o.o. Svilajnac	Serbia	RSD	35,432,220	100.00	Thermowatt Spa		100.00	
76	SPM Innovation sas	France	EUR	750,000	100.00	SPM sas	100.00		
77	STV France sas	France	EUR	9,730,123	100.00	Chaffoteaux sas		100.00	
78	Thermo Professional Srl	Italy	EUR	100,000	100.00	Thermowatt SpA		100.00	
79	Thermowatt (Wuxi) Electric Co., Ltd	China	CNY	82,769,200	100.00	Ariston Thermo (China) Co., Ltd Ariston Thermo International Srl		70.00 30.00	
80	Thermowatt SpA	Italy	EUR	7,700,000	100.00	Ariston Thermo Holding SpA	100.00		

The participation shares in this table are the ones relevant for determining the Consolidated financial statements. The companies acquired with the put/call contracts to be exercised on the remaining shares of the share capital were fully consolidated, together with the acquisition agreement based on the provisions set forth in IFRS 3 (see the specific treatment of the individual put/call options in the notes). The statutory ones can be found in the table at the end of the Notes to the Consolidated financial statements.

LIST OF COMPANIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

n°	Company	Registered office	Curr.	Share capital	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	51.00	Ariston Thermo International Srl		51.00	49.00

Ariston Thermo Group

Consolidated financial statements as at 31 December 2020

Independent auditor’s report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

EY S.p.A.
Via Thomas Edison, 4/6
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Building a better working world

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Ariston Thermo Holding S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ariston Thermo Group (the Group), which comprise the statement of financial position as at 31 December 2020, and the consolidated income statements, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of Ariston Thermo Holding S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Ariston Thermo Holding S.p.A. or to cease operations, or have no realistic alternative but to do so.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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;
- we have obtained 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 Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a 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 consider this matter in forming 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 the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Ariston Thermo Holding S.p.A. are responsible for the preparation of the Directors' Report on Operations of Group Ariston Thermo as at 31 December 2020, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Directors' Report on Operations, with the consolidated financial statements of Ariston Thermo Group as at 31 December 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Directors' Report on Operations is consistent with the consolidated financial statements of Ariston Thermo Group as at 31 December 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Ancona, 22 March 2021

EY S.p.A.
Signed by: Gianluca Focaccia, Auditor

This report has been translated into the English language solely for the convenience of international readers.

Note: The Directors' Report on Operations of Group Ariston Thermo as at 31 December 2020 is not included in the Prospectus.

CONSOLIDATED FINANCIAL STATEMENTS COMPLIANT WITH IAS/IFRS INTERNATIONAL STANDARDS

2019

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019 (in thousand €)

	notes	31 DEC. 19		31 DEC. 18	
REVENUE					
Revenue	1.1	1,710,153	100.0%	1,612,134	100.0%
Other revenues and income	1.1	31,590	2.2%	36,162	2.2%
Total Revenue	**1.1**	**1,741,743**	**101.8%**	**1,648,296**	**102.2%**
OPERATING EXPENSES					
Change in inventories	1.2	-9,273	-0.5%	-24,800	-1.5%
Raw materials, consumables and goods for resale	1.2	757,790	44.3%	724,970	45.0%
Services	1.3	339,655	19.9%	332,287	20.6%
Personnel	1.4	392,235	22.9%	371,407	23.0%
Amortisation	2.1/2.2	74,376	4.3%	67,835	4.2%
Provisions and write-downs	1.5	21,326	1.2%	23,281	1.4%
Other operating expenses	1.6	31,173	1.8%	26,553	1.6%
Total operating expenses		**1,607,282**	**94.0%**	**1,521,531**	**94.4%**
OPERATING PROFIT		**134,461**	**7.9%**	**126,765**	**7.9%**
FINANCIAL INCOME AND EXPENSE					
F inancial Income	1.7	3,701	0.2%	2,672	0.2%
Financial Expense	1.8	-17,246	-1.0%	-18,201	-1.1%
Exchange rate gains/losses	1.9	-156	0.0%	-5,200	-0.3%
Total financial Income and Expense		**-13,701**	**-0.8%**	**-20,728**	**-1.3%**
PROFIT (LOSS) ON INVESTMENTS					
Valuation according to the equity method		0	0.0%	0	0,0%
Other profit (loss) on investments	1.10	5,040	0.3%	4,540	0.3%
Total profit (loss) on investments	1.10	**5,040**	**0.3%**	**4,540**	**0.3%**
PROFIT BEFORE TAX		**125,799**	**7.4%**	**110,577**	**6.9%**
TAXES	1.11	**36,782**	**2.2%**	**29,002**	**1.8%**
			29.2%		26.2%
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**89,017**	**5.2%**	**81,575**	**5.1%**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	1.12	0	0.0%	0	0.0%
NET PROFIT/LOSS FOR THE PERIOD		**89,017**	**5.2%**	**81,575**	**5.1%**
Net profit/loss for the period attributable to non-controlling Interests	3.1	**0**	**0.0%**		**0.0%**
Net profit/loss for the period attributable to equity holders of the Parent	3.1	**89,017**	**5.2%**	**81,575**	**5.1%**
Basic earnings per outstanding share		**3.14**		**2.87**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2019 (in thousand €)

	notes	31 DEC. 19	31 DEC. 18
NET PROFIT/LOSS FOR THE PERIOD	**3.1**	**89,017**	**81,575**
Items that will not be reclassified to the income statement			
Actuarial gains (losses) (*)	3.1	-2,878	-1,311
Sub-total of items that will not be reclassified to the income statement		**-2,878**	**-1,311**
Items that may be reclassified to the income statement			
Gains (losses) from the translation of financial statements	3.1	1,884	-8,443
Net gains (losses) under cash flow hedge reserve (*)	3.1	1,304	-3,830
Sub-total of Items that may be reclassified to the income statement		**3,188**	**-12,273**
Totale altri utili (perdite) al netto di effetto fiscale		310	-13,584
TOTAL PROFIT/LOSS FOR THE PERIOD		**89,327**	**67,991**
Attributable to:			
- Equity holders of the Parent		89,327	67,991
- Non-controlling Interests		0	0

(*) Tax effect included

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (in thousand €)

Assets	notes	31 DEC. 19	31 DEC. 18
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	2.1	299,932	252,587
Other intangible assets	2.1	111,422	84,533
Total intangible assets	**2.1**	**411,354**	**337,121**
Property, plant and equipment			
Land and buildings	2.2	161,586	151,783
Plant and machinery	2.2	110,295	92,202
Other property, plant and equipment	2.2	97,542	94,152
Total property, plant and equipment	**2.2**	**369,424**	**338,138**
Investments in associates	2.3	0	0
Deferred tax assets	2.4	50,107	45,614
Financial assets	2.5	3,371	2,296
Non-current financial assets	2.6	3,516	3,538
Other non-current assets	2.7	6,208	5,519
Total non-current assets		**843,980**	**732,226**
CURRENT ASSETS			
Inventories	2.8	275,943	268,553
Trade receivables	2.9	237,618	205,613
Tax receivables	2.10	16,007	10,550
Current financial assets	2.11	16,022	9,798
Other current assets	2.12	32,212	30,008
Cash and cash equivalents	2.13	313,346	309,164
Total current assets		**891,148**	**833,686**
ASSETS HELD FOR SALE	**2.14**	**377**	**261**
TOTAL ASSETS		**1,735,505**	**1,566,173**

LIABILITIES AND EQUITY (in thousand €)

	notes	31 DEC. 19	31 DEC. 18
TOTAL EQUITY			
Share capital	3.1	41,845	41,845
Share premium reserve	3.1	24,008	24,008
Retained earnings and other reserves	3.1	367,613	316,492
Profit/loss for the period attributable to equity holders of the Parent	3.1	89,017	81,575
Total equity attributable to equity holders of the Parent	**3.1**	**522,483**	**463,920**
Non-controlling interests and reserves	3.1	0	0
Profit/loss for the period attributable to non-controlling interests	3.1	0	0
Total equity attributable to non-controlling interests	**3.1**	**0**	**0**
Total equity	**3.1**	**522,483**	**463,920**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	3.2	32,416	33,789
Non-current provisions for risks and charges	3.3	46,432	39,076
Provisions for employee benefits	3.4	57,601	53,870
Non-current financial liabilities	3.5	0	0
Non-current loans	3.6	434,396	357,429
Other non-current liabilities	3.7	41,626	63,118
Total non-current liabilities		**612,471**	**547,282**
CURRENT LIABILITIES			
Trade payables	3.8	331,128	297,255
Tax payables	3.9	18,741	18,166
Current provisions for risks and charges	3.10	29,487	29,216
Current financial liabilities	3.11	42,742	38,534
Current loans	3.12	22,305	25,481
Other current liabilities	3.13	156,148	146,320
Total current liabilities		**600,550**	**554,971**
LIABILITIES HELD FOR SALE	**3.14**	**0**	**0**
TOTAL LIABILITIES AND EQUITY		**1,735,505**	**1,566,173**

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2019 (in thousand €)

				notes	31 DEC. 19	31 DEC. 18
CHANGES IN SHORTTERM FINANCIAL POSITION						
- SHORT-TERM FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD					**291,352**	**309,735**
		Effect of changes in exchange rates			4,476	-801
		Changes in short-term financial position			-1,251	-17,582
- SHORT-TERM FINANCIAL POSITION AT THE END OF THE PERIOD					**295,786**	**291,352**
		of which:				
		* cash and cash equivalents		2.12	313,346	309,164
		* short-term payables to banks			-17,560	-17,812
STATEMENT OF CASH FLOWS						
CASH FLOW FROM OPERATING ACTIVITIES						
	>	NET PROFIT/LOSS FOR THE PERIOD		3.1	89,017	81,575
		Adjustments for:				
	-	Taxes		1.11	36,782	29,002
	-	Income and expense from financing and investment activities		1.8/1.9/1.10	8,662	16,188
1	**-**	**OPERATING PROFIT**			**134,461**	**126,765**
2	-	Amortisation		2.1/2.2	74,376	67,835
		of which: Amortisation for right-of-use fixed assets			22,702	21,228
3	-	Provisions		1.5	21,326	23,281
4	-	Other adjustments			0	1.414
5	**=**	**GROSS OPERATING CASH FLOW**	(+1+2+3+4)		**230,163**	**219,295**
6	-	Change in trade receivables		2.8	-12,204	2,974
7	-	Change in inventories		2.7	27,355	-22,373
8	-	Change in trade payables		3.8	16,723	-17,873
9	-	Change in other short-term assets/liabilities			-2,389	-9,015
10	-	Change in provisions			-20,084	-22,773
11	-	Tax paid			-45,803	-25,796
		Total			**-36,402**	**-94,856**
12	**=**	**NET OPERATING CASH FLOW**	(+5+6+7+8+9+10+11)		**193,761**	**124,439**
CASH FLOW FROM INVESTMENT ACTIVITIES						
13	-	Investments in intangible assets		2.1	-15,748	-16,306
14	-	Investments in property, plant and equipment		2.2	-68,463	-68,051
		of which: Investiments in right-of-use assets			-24,100	-22,679
15	-	Investments in financial assets			-144,326	-16,050
16	-	Change in the scope of consolidation			4,400	256
17	-	Value of tangible and intangible assets sold		2.1/2.2	1,890	1,637
18	**=**	**CASH FLOW FROM INVESTMENT ACTIVITIES**	(+13+14+15+16+17)		**-222,247**	**-98,514**
CASH FLOW FROM FINANCING ACTIVITIES						
19	-	Financial income/expense collected/paid			-5,103	-4,925
		of which: Financial expense pursuant to IFRS16			-1,810	-1,631
20	-	Income/expense on exchange rate		1.9	-7,337	-9,136
21	-	Increase/decrease in short-term financial payables		3.6/3.11	-2,388	2,246
		of which: Financial payables pursuant to IFRS16			-1,168	-647
22	-	New loans		3.6/3.11	235,559	25,601
		of which: Financial payables pursuant to IFRS16			25,340	25,596
23	-	Loans repayment		3.6/3.11	-162,705	-28,901
		of which: Financial payables pursuant to IFRS16			-23,699	-23,176
24	-	Dividends		3.1	-30,790	-28,393
25	-	Capital and reserves increase/distribution			0	0
26	-	Other changes in equity			0	0
27	-	Buyback/sale of treasury shares		3.1	0	0
28	**=**	**CASH FLOW FROM FINANCING ACTIVITIES**	(+19 / +27)		**-27,235**	**-43,507**
29	**=**	**CASH FLOW FROM CONTINUING OPERATIONS**	(+12+18+28)		**-1,251**	**-17,582**
30	**=**	**C ASH FLOW FROM DISCONTINUED OPERATIONS**			**0**	**0**
31	**=**	**TOTAL CASH FLOW**	(+29+30)		**-1,251**	**-17,582**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019 (in thousand €)

CHANGES IN EQUITY (in thousand €)	Notes	Share capital	Treasury shares	Share premium reserve	Legal reserve	Reserve for gains/ losses in equity	Actuarial gains (losses)	Retained earnings (losses) and other reserves	Profit/ Loss for the year	Total attributable to the Group	Total attribu-table to non controlling interests	Total net equity
Balance as at 31 Dec. 2017	**3.1**	**41,845**	**-13,452**	**-82,289**	**8,369**	**1,282**	**-24,409**	**413,216**	**82,589**	**427,151**	**0**	**427,151**
Consolidated profit allocation								82,589	-82,589	0	0	0
Payment of dividends	3.1							-28,393		-28,393	0	-28,393
Other changes								-2,829		-2,829	0	-2,829
Comprehensive income (loss)						-3,830	-1,311	-8,443	81,575	67,991	0	67,991
Balance as at 31 Dec. 2018	**3.1**	**41,845**	**-13,452**	**-82,289**	**8,369**	**-2,548**	**-25,720**	**456,140**	**81,575**	**463,920**	**0**	**463,920**
Consolidated profit allocation								81,575	-81,575	0	0	0
Payment of dividends	3.1							-30,813		-30,813	0	-30,813
Other changes								49		49	0	49
Comprehensive income (loss)						1,304	-2,878	1,884	89,017	89,327	0	89,327
Balance as at 31 Dec. 2019	**3.1**	**41,845**	**-13,452**	**-82,289**	**8,369**	**-1,244**	**-28,598**	**508,835**	**89,017**	**522,483**	**0**	**522,483**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- AT 31 DECEMBER 2019 -

INTRODUCTION

Ariston Thermo SpA (hereafter also the "Parent Company") is a public limited company incorporated in Italy and enrolled in the Register of Companies of Ancona (no. 104629 R.E.A. of Ancona, Tax Code: 01026940427), with registered office in V.le A. Merloni, 45 - 60044 Fabriano (Ancona) – Italy.

The Parent Company and its subsidiaries (hereinafter the "subsidiaries" and jointly with the Parent Company: the "Group") are primarily active in the business of the production and distribution of solutions for space heating and water heating.

Following are the main accounting standards and assessment criteria applied to the preparation of the consolidated financial statements. The standards adopted are compliant with those applied to the preparation of the comparative statements of equity and financial position.

The consolidated financial statements comprise the following: Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity (in thousand euro) and these Notes to the Financial Statements.

It should also be noted that the model adopted for the Statement of Financial Position contains a "current/non-current item" breakdown, whereas the model adopted for the Income Statement classifies costs "by type".

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 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.

The consolidated financial statements as at 31 December 2019 have been approved by the Board of Directors on 27 March 2019 and audited, they will be submitted to the shareholders' meeting.

INTERNATIONAL ACCOUNTING STANDARDS

COMPLIANCE WITH IFRS – ACCOUNTING STANDARDS

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").
Following the entry into force of European Regulation no. 1606, dated July 2002, Ariston Thermo Group has used the option set forth in Legislative Decree no. 38 of 28 February 2005 and has adopted the International Accounting Standards issued by the International Accounting Standard Board (IASB) and approved by the EU for the preparation of the Consolidated financial statements starting from 1 January 2005.
The Parent Company prepares the financial statements in compliance with the "accounting standards" under art. 2423 bis, with the "assessment criteria" under art. 2426 and with the provisions under art. 2424 et seq. of the Italian Civil Code, supplemented, where applicable, by the accounting standards set forth by the Italian National Council of Certified Accountants (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti contabili) and reviewed by the Italian Accounting Standard Setter (Organismo Italiano di Contabilità).

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION APPLICABLE AS FROM 1 JANUARY 2019

In June 2017, the IASB published the interpretation ***IFRIC 23 – Uncertainty over Income Tax Treatments***, to clarify the recognition and measurement requirements in *IAS 12 - Income Taxes* when there is uncertainty over the income tax treatments of specific line items. In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Based on the interpretation, an entity shall consider whether it is *probable* that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Conversely, if an entity concludes it is *not probable* that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates.

The interpretation shall apply for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

In October 2017, the IASB issued amendments to ***IFRS 9 - Financial Instruments*** and ***IAS 28 - Investments in Associates and Joint Ventures*** to aid implementation.

The amendments to *IFRS 9 - Prepayment Features with Negative Compensation* are intended to allow measuring financial assets that contain prepayment features with negative compensation at amortised cost or fair value through other comprehensive income (OCI).
The amendments to *IAS 28 - Long-term Interests in Associates and Joint Venture*s are intended to clarify that IFRS 9 applies to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture. An entity that does not apply the equity method to financial instruments in an associate or joint venture shall apply IFRS 9 to long-term interests without accounting for any adjustments to their carrying amount.
The regulation will be effective on 3 March 2019 and shall be binding in its entirety and directly applicable in all Member States. Entities shall apply these amendments retrospectively for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

In December 2017, the IASB issued the ***Annual Improvements to IFRS Standards 2015-2017 Cycle***, which concern the following international accounting standards:

- *IFRS 3 - Business Combinations*: clarifying that an entity shall remeasure its previously held interest in a joint operation when it obtains control of the business;
- *IFRS 11 - Joint Arrangements*: clarifying that an entity shall not remeasure its previously held interest in a joint operation when it obtains joint control of the business;
- *IAS 12 - Income Taxes*: clarifying that all income tax consequences of dividends shall be recognised in profit or loss, irrespective of taxation;

- *IAS 23 - Borrowing Costs*: clarifying which borrowing costs are eligible for capitalisation.

The amendments will be effective on 1 January 2019 and earlier application is permitted.

In February 2018, the IASB issued ***Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)***, clarifying how companies determine pension expenses when changes to a defined benefit pension plan occur. The amendments will be effective on 1 January 2019.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

In September 2019, the IASB issued ***Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)***, which modifies the hedge accounting requirements in IFRS 9 and IAS 39. The changes modify some specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by the IBOR (Interbank Offered Rates) reform. In addition, entities are required to provide additional disclosures to investors about the hedging relationships directly affected by said uncertainty.

The amendments are effective on 1 January 2020, but earlier application is permitted.

SCOPE OF CONSOLIDATION

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 Thermo SpA either through a direct or indirect equity ownership, with the majority of voting rights at shareholders' 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. Entities are not consolidated on a line-by-line basis if their consolidation, given their operations (e.g., companies that are not yet or no longer operative, or expected to become operative, and companies that have nearly completed the liquidation process), would be quantitatively and qualitatively immaterial in terms of a correct presentation of the Group's financial position for the year. The exclusion from the consolidation of some subsidiaries, which are not significant either individually or considered together, did not entail a material impact for the purposes of the correct representation of the Group's equity, income and financial situation (in accordance with the provisions of the Framework of the international accounting standards: "information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements").
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 to control them. The consolidation, prepared on a line-by-line basis, was carried out using, for all subsidiaries, a specific reporting package, written based on the IFRS standards adopted by the Group, reclassifying and/or rectifying the accounting data approved by the corporate bodies of the respective companies.

On the basis of the provisions of the new IFRS 12, hereafter is set out the Group's composition at 31 December 2019, highlighting the controlling interests for the purposes of drawing up the consolidated financial statements.

LIST OF COMPANIES CONSOLIDATED ON A LINE BY LINE BASIS

n°	Company	Registered office	Division (*)	Group's controlling interest
1	Ariston Thermo SpA	Italy	TC	parent company
2	Ariston Thermo Argentina Srl	Argentina	TC	100.00
3	Ariston Thermo Benelux sa	Belgium	TC	100.00
4	Ariston Thermo Canada Ltd	Canada	TC	100.00
5	Ariston Thermo (China) Co. Ltd	China	TC	100.00
6	Ariston Thermo Croatia Ltd	Croatia	TC	100.00
7	Ariston Thermo CZ sro	Czech Republic	TC	100.00
8	Ariston Thermo Deutschland GmbH	Germany	TC	100.00
9	Ariston Thermo Egypt LLC	Egypt	TC	100.00
10	Ariston Thermo Espana sl Sociedad Unipersonal	Spain	TC	100.00
11	Ariston Thermo Gulf Water Heating LLC	UAE	TC	100.00
12	Ariston Thermo Heating Tech. Nigeria Ltd	Nigeria	TC	100.00
13	Ariston Thermo Hungária kft	Hungary	TC	100.00
14	Ariston Thermo India Private Ltd	India	TC	100.00
15	Ariston Thermo Industrial Vietnam Ltd	Vietnam	TC	100.00
16	Ariston Thermo Innovative Technologies Srl	Italy	TC	100.00
17	Ariston Thermo International Srl	Italy	TC	100.00
18	Ariston Thermo Isitma ve Sogutma Sistemleri Ithalat, Ihracat ve Dagitim Ltd. Sti.	Turkey	TC	100.00

n°	Company	Registered office	Division (*)	Group's controlling interest
19	Ariston Thermo Kazakhstan LLP	Kazakhstan	TC	100.00
20	Ariston Thermo Maroc sa	Morocco	TC	100.00
21	Ariston Thermo MEA SPC	Bahrain	TC	100.00
22	Ariston Thermo Mexico sa de C.V.	Mexico	TC	100.00
23	Ariston Thermo Parts & Services SA	Switzerland	TC	100.00
24	Ariston Thermo Polska Sp. z o.o.	Poland	TC	100.00
25	Ariston Thermo Pte Ltd	Singapore	TC	100.00
26	Ariston Thermo Romania Srl	Romania	TC	100.00
27	Ariston Thermo Rus LLC	Russia	TC	100.00
28	Ariston Thermo South Africa (Pty) Ltd	South Africa	TC	100.00
29	Ariston Thermo Tunisie sa	Tunisia	TC	100.00
30	Ariston Thermo UK Ltd	United Kingdom	TC	100.00
31	Ariston Thermo Ukraine LLC	Ukraine	TC	100.00
32	Ariston Thermo USA LLC	USA	TC	100.00
33	Ariston Thermo Vietnam Ltd	Vietnam	TC	100.00
34	Atag Construction BV	Netherlands	TC	100.00
35	Atag Electronics BV	Netherlands	TC	100.00
36	Atag Engineering BV	Netherlands	TC	100.00
37	Atag Heating BV	Netherlands	TC	100.00
38	Atag Heizungstechnil Gmbh	Germany	TC	100.00
39	Atag Verwarming Belgie BVBA	Belgium	TC	100.00
40	Atag Verwarming Nederland BV	Netherlands	TC	100.00
41	ATM1 HR sa de V.V.	Mexico	TC	100.00
42	ATM2 HR sa de V.V.	Mexico	TC	100.00
43	Atmor (Dongguan) Electronic Technolgy Co. Ltd	China	TC	100.00
44	Atmor Electronic Technolgy Company Ltd	Hong Kong	TC	100.00
45	Atmor Industries Ltd	Israel	TC	100.00
46	BCE Srl	Italy	BUR	100.00
47	Calentadores de America S.A. de C.V.	Mexico	TC	100.00
48	Chaffoteaux sas	France	TC	100.00
49	Cuenod sas	France	BUR	100.00
50	DHE Srl	Italy	COM	100.00
51	Domotec AG	Switzerland	TC	100.00
52	Ecoflam Bruciatori SpA	Italy	BUR	100.00
53	Elco Austria GmbH	Austria	TC	100.00
54	Elco B.V.	Netherlands	TC	100.00
55	Elco Belgium nv/sa	Belgium	TC	100.00
56	Elco Burners B.V.	Netherlands	BUR	100.00
57	Elco Burners GmbH	Germany	BUR	100.00
58	Elco GmbH	Germany	TC	100.00
59	Elco Heating Solutions Limited	United Kingdom	TC	100.00
60	Elco International GmbH	Germany	TC	100.00
61	Elco Italia SpA	Italy	TC	100.00
62	Elcotherm AG	Switzerland	TC	100.00
63	Fluida S.A. de C.V.	Mexico	TC	100.00
64	Gastech-Energi A/S	Denmark	TC	100.00
65	HTP Comfort Solutions LLC	USA	TC	100.00
66	Marchi e Brevetti Srl	Italy	TC	100.00
67	NTI Boilers Inc	Canada	TC	100.00
68	NTI Holdings Ltd	Canada	TC	100.00
69	NTI Industrial Inc	Canada	TC	100.00
70	NTI-USA Inc.	USA	TC	100.00
71	PT Ariston Thermo Indonesia	Indonesia	TC	100.00
72	Racold Thermo Private Ltd	India	TC	100.00
73	S.H.E. d.o.o. Svilanjnac	Serbia	COM	100.00
74	SPM Innovation sas	France	BUR	100.00
75	SPM sas	France	BUR	100.00
76	STV France sas	France	TC	100.00
77	Thermowatt (Wuxi) Electric Co. Ltd	China	COM	100.00
78	Thermowatt SpA	Italy	COM	100.00
79	Water Heating Technologies Corporation	USA	TC	100.00

The participation shares in this table are the ones relevant for determining the Consolidated financial statements. The companies acquired with the put/call contracts to be exercised on the remaining shares of the share capital were fully consolidated, together with the acquisition agreement based on the provisions set forth in IFRS 3 (see the specific treatment of the individual put/call options in the notes). The statutory ones can be found in the table at the end of the Notes to the Consolidated financial statements.

(*) Refers to the main division: TC = Thermal Comfort, BUR = Burners, COM = Components

LIST OF COMPANIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

n°	Company	Registered office	Division (*)	Group's controlling interest
1	Joint venture "Ariston Thermo - UTG LLC" (**)	Uzbekistan	TC	51,00

(*) Refers to the main division: TC = Thermal Comfort, BUR = Burners, COM = Components
(**) The company was not included in the scope of consolidation because of its limited area of operation and little significance.

Compared with 31 December 2018, the consolidation area is changed due to the following transactions:

- the incorporation, on 7 March 2019, of the Mexican subsidiary Ariston Thermo Mexico sa de C.V., 99.99% held by Elcotherm AG and 0.01% by Ariston Thermo USA LLC;
- the acquisition, on 30 April 2019, of 100% of the share capital of the Mexican Calorex group, a company well-established in Mexico and the United States that designs, manufactures, and sells gas, electric, and solar water heaters under leading market brands;
- in June 2019, Ariston Thermo Benelux SA exercised the last tranche of the put/call commitment set forth in the agreement for the acquisition of the ATAG Group equal to 16.05%, redetermining its shareholding to 100% of the share capital;
- the Parent Company Ariston Thermo SpA acquired the total control of the SPM Group, by exercising the put and call option occurred in July 2019, for the purchase of the remaining 30% of the share capital;
- again in July 2019, Ariston Thermo Canada Ltd exercised a further tranche of the put/call commitment set forth in the agreement for the acquisition of the NY Thermal Group equal to 7%, redetermining its shareholding to 93% of the share capital;
- in August 2019, Elcotherm AG exercised the put and call option to purchase an additional 20% interest in the Atmor group, increasing its ownership interest to 80%;
- the merger between the British subsidiaries ATAG Heating UK Ltd and Elco Heating Solutions Ltd, finalised in the second half of the current year.

For further details on the two acquisitions occurred in the year, reference must be made to the following section "Accounting standards and assessment criteria".

CONSOLIDATION AND TRANSLATION PRINCIPLES

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.

Subsidiaries

The consolidated financial statements of Ariston Thermo Group include the financial statements of the Parent Company and of its 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 results 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:

- in the fair values of the assets and liabilities recognised at the date of their original acquisition. As regards the symmetric put and call contracts connected to the new acquisitions, they have been represented by recognising under other long-term 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 interest (see the subsequent section: "Business combinations");
- in the changes in equity after that date. Subsequently, the losses attributable to non-controlling interests exceeding the equity attributable to them, are recognised under non-controlling interests.

Associates

The consolidated financial statements include the portion of associates' economic results attributable to the Group. Associates are companies on 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 recognised 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 recognised in the financial statements, the amount of this investment is waived and the portion of exceeding losses is not recognised, except and to the extent of the obligations assumed by the Group.

Transactions excluded from the consolidation process

During the preparation of the consolidated financial statements, all intergroup balances and significant transactions, as well as gains and losses that were not realised from intergroup transactions, are not recognised. All realised gains and losses, generated on transactions with associates or jointly controlled companies, are not recognised according to the Group's interests in those companies.

Consolidation of foreign companies

All assets and liabilities of foreign companies in a currency other than the euro, falling within the consolidation area, are converted using the exchange rate 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 recognised under equity until the shareholding is transferred. Goodwill and adjustments to the fair values generated by the acquisition of a foreign company, are recognised 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		2019		2018	
		Average exch. rate	Exch. rate at 31/12	Average exch. rate	Exch. rate at 31/12
EMIRATI DIRHAM	AED	4.1071	4.1257	4.3460	4.2050
ARGENTINE PESO	ARS	67.2749	67.2749	43.1593	43.1593
BRAZILIAN REAL	BRL	4.4135	4.5157	4.3087	4.4440
NEW BELARUSIAN RUBLE	BYN	2.3426	2.3687	2.4070	2.4730
CANADIAN DOLLAR	CAD	1.4819	1.4598	1.5252	1.5605
SWISS FRANC	CHF	1.1124	1.0854	1.1525	1.1269
CHINESE RENMINBI	CNY	7.7310	7.8205	7.8156	7.8751
CZECH KORUNA	CZK	25.6808	25.4080	25.6494	25.7240
DANISH CROWN	DKK	7.4663	7.4715	7.4540	7.4673
EGYPTIAN POUND	EGP	18.3770	18.0192	20.7102	20.5108
ENGLISH STERLING	GBP	0.8755	0.8508	0.8845	0.8945
CROATIAN KUNA	HRK	7.4167	7.4395	7.4159	7.4125
HUNGARIAN FORINT	HUF	325.5342	330.5300	319.3299	320.9800
INDONESIAN RUPIAH	IDR	15,803.6174	15,595.6000	16,829.3792	16,500.0000
INDIAN RUPIAH	INR	78.6757	80.1870	80.9557	79.7298
KAZAKHSTANI TENGE	KZT	428.5653	429.5100	406.3854	437.5200
MOROCCO DIRHAM	MAD	10.7636	10.7810	11.0893	10.9390
MEXICAN PESO	MXN	21.4682	21.2202	23.7134	22.8817
NIGERIAN NAIRA	NGN	398.3600	400.0000	412.8200	410.0000
POLISH ZLOTY	PLN	4.3017	4.2568	4.2658	4.3014
ROMANIAN NEW LEU	RON	4.7455	4.7830	4.6543	4.6635
RUSSIAN RUBLE	RUB	72.0333	69.9563	74.3202	79.7153
SINGAPORE DOLLAR	SGD	1.5264	1.5111	1.5938	1.5591
TUNISIAN DINAR	TND	3.2819	3.1390	3.1108	3.4302
TURKISH NEW LIRA	TRY	6.3446	6.6843	5.6140	6.0588
UKRAINIAN HRYVNIA	UAH	28.6076	26.7195	31.9945	31.7362
US DOLLAR	USD	1.1202	1.1234	1.1785	1.1450
VIETNAM DONG	VND	25,828.7145	26,033.0000	26,904.6710	26,547.0000
SOUTH AFRICAN RAND	ZAR	16.1728	15.7773	15.5919	16.4594

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

Hyperinflation in Argentina

In Argentina, following a long observation period of the inflation rates and other indicators, consensus was reached at global level about the existence of 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 2019 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. 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 2019. For the purposes of the translation into euro of the income statement thus restated, the spot exchange rate at 31 December 2019 was consistently applied rather than the average exchange rate for the period. With reference to consolidated net sales in the period, the effect from the application of the standard entailed a negative change of € 0.2 million in 2019;

- 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

The acquisition of subsidiaries is recognised according to the acquisition method.

The acquisition cost is determined by summing the current values, at the trading date, of the transferred assets, of the incurred or acquired liabilities, and of the financial instruments issued by the Group in exchange for the control of the acquired company.

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS (IFRS 3), are recognised at their current values at the acquisition date except for non-current assets (or disposal groups) which are classified as held for sale in compliance with IFRS 5 and recognised and measured at the current value less sale costs. The transaction costs are fully expensed.

The goodwill deriving from the acquisition of a company is recognised under assets and determined initially as an excess of the cost of acquisition compared with the interest of the Group in the current values of the recognised identifiable assets, liabilities and contingent liabilities.

If the interest of the Group in the current values of identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the exceeding amount is immediately recognised in the income statement.

Non-controlling interests in the acquired company are initially recognised to the extent of their share in the current values of recognised assets, liabilities and contingent liabilities (share of fair value of net assets).

According to the revised IFRS 3 standard, the term "business combination" refers to a transaction where the purchaser obtains control of one or more company's businesses, or to the effect of the accounting consolidation or combination of different entities or company activities into a single entity for the purpose of the financial statements.

In application of this standard, it is necessary to recognise the "contingent consideration" intended as obligations of the purchaser to transfer additional activities to the previous owners, if specific future events occur or if certain contractual conditions are met. These contingent considerations must be measured at the fair value in effect at the acquisition date.

Accounting treatment of the ATAG Group put and call option

As from 1 January 2016, following (i) the reconsideration of the characteristics of the control exercised due to contractual commitments and (ii) the adoption of a specific Group accounting policy for similar cases, the acquisition of 68.95% of the ATAG Group, which occurred in September 2014, and the related put option in favour of the seller and the call option in favour of the buyer relating to the remaining 31.05% of the share capital, which may be exercised in the period 2017-2019, have been represented by recognising under other long-term liabilities in the financial statements the fair value of the payable arising from the purchase and sale options—signed at the time of the purchase on all the residual capital held by the

minority shareholders and without the recognition of the residual equity attributable to non-controlling interest. At 31 December 2019, this liability was written off following the settlement of the final tranche of the call/put option under the purchase agreement, therefore the Group increased its ownership interest to 100%.

Accounting treatment of the Gastech-Energi A/S earn-out

On 30 April 2015, 100% of the share capital of the Danish company Gastech was acquired.

The acquisition agreement sets forth a mechanism for a subsequent adjustment of the price (earn-out) based on the earning performance of the company at the specific dates set out in the agreement with a likely further payment.

Therefore, a liability equal to the current value of the estimated obligation as at the date of its possible exercise, was recognised in the financial statements against a higher goodwill.

The liability, reviewed annually, changed as at 31 December 2019, with the subsequent recognition in the income statement of the identified valuation differences.

Accounting treatment of the SPM Group put and call option

As regards the acquisition of 70% of the SPM Group, occurred on 31 July 2015, and to the put option in favour of the seller and the call option in favour of the buyer, for the residual 30% of the share capital, their valuation, is made with the agreement for the acquisition of the controlling share of the company, based on the provisions set forth in IFRS 3 and in the accounting policy adopted by the Group.

A liability was therefore recognised in the financial statements for a value equal to the present value of the estimated obligation against a higher goodwill, without the recognition of residual equity attributable to non-controlling interest until the date of exercising the options.

During 2019, the Group acquired 100% of SPM by exercising the put/call option under the purchase agreement, which caused the previously recognised liability to be derecognised.

Accounting treatment of the NY Thermal Group put and call option

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 79% of the NY Thermal Group which occurred on 1 September 2016, 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 21% of the share capital, has been represented by recognising under other long-term liabilities in the statement of financial position the fair value of the payable arising from the purchase and sale options signed at the time of the purchase on all the shares held by minority shareholders, and without the recognition of the residual equity attributable to non-controlling interest. As at 31 December 2019, this liability was reduced due to the settlement of part of the commitment envisaged in the acquisition agreement (i.e. the exercise in July).

The liability, reviewed annually, changed as at 31 December 2019, with the subsequent recognition in the income statement of the identified valuation differences.

Accounting treatment of the HTP Comfort Solutions LLC put and call option

The acquisition of 51% of HTP Comfort Solutions LLC, which occurred on 28 July 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 49% of the share capital, has been represented by recognising under other long-term liabilities in the statement of financial position the fair value of the payable arising from the purchase and sale options signed at the time of the purchase on all the shares held by minority shareholders, and without the recognition of the residual equity attributable to non-controlling interest. The fair value of the liability related to the symmetric options, which is reviewed annually, changed as at 31 December 2019, with the subsequent recognition in the income statement of the identified valuation differences.

Accounting treatment of the Atmor Group put and call option

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, has been represented by recognising under other long-term liabilities in the statement of financial position the fair value of the payable arising from the purchase and sale options signed at the time of the purchase on all the shares held by minority shareholders, and without the recognition of the residual equity attributable to non-controlling interest. As at 31 December 2019, this liability was reduced due to the settlement of part of the commitment envisaged in the acquisition agreement (i.e. the exercise in August).

The liability, reviewed annually, changed as at 31 December 2019, with the subsequent recognition in the income statement of the identified valuation differences.

Accounting treatment of the BCE Srl put and call option

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 85% of BCE Srl which occurred on 1 August 2018, 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 15% of the share capital, has been represented by recognising under other long-term liabilities in the statement of financial position the fair value of the payable arising from the purchase and sale options signed at the time of the purchase on all the shares held by minority shareholders, and without the recognition of the residual equity attributable to non-controlling interest. The fair value of the liability related to the symmetric options, which is reviewed annually, will be recognised in the income statement.

INTANGIBLE ASSETS

Goodwill

Goodwill arising from the acquisition of a subsidiary or jointly-controlled entity reflects the excess of the acquisition cost over the percentage attributable to the Group, of the fair value of the subsidiary's or jointly controlled entity's identifiable assets, liabilities and potential liabilities at the acquisition date. 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 resulting at the acquisition date is allocated to each of the units generating financial flows, 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 recognised. This impairment loss is not restored, if the reasons that have generated it cease to exist.

If a subsidiary or jointly controlled entity is sold, 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 recognised 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 recognised under assets, only if:

- the asset is identifiable;
- it is probable that the asset will generate future economic benefits;
- the cost for the development of the asset can be accurately measured.

The capitalised development costs include only the expense incurred which may be attributed directly to the development process.

These intangible assets with definite useful life are amortised 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 recognised in the financial statements, the development costs are recognised in the income statement for the period in which they are incurred.

Other intangible assets

Other intangible assets, whether purchased or internally produced, are recognised 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 and software) with a definite useful life are recognised at purchase or production cost and amortised 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 amortised 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, recognised following the acquisition of a company, are recognised separately from the goodwill, if their current value can be accurately measured.

Here below are the principles applied by the Group for intangible assets:

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost, net of accumulated depreciation and impairment losses, if any. Assets with components of a significant value and with a different useful life are recognised separately when depreciated.

The cost incurred subsequent to the purchase is capitalised only if the future economic benefits of the asset to which it refers increase. All other costs are recognised in the income statement for the period in which they are incurred.

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

Land with no construction or annexed to residential and industrial buildings, is not depreciated since it has an unlimited useful life.

The rights of use relating to leases, following the earlier application in 2018 of IFRS 16 which eliminated the distinction between financial lease and operating lease, are recognised in a single accounting model to recognise the lease. In accordance with this model, the entity recognises: (i) assets and liabilities for all leases with a duration of over twelve months; (ii) separately in the income statement, the amortisation/depreciation of the recognised 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 lessor as well as the provisions for removal and dismantling, if any, were taken into account.

The new standard mainly concerns operating leases relating to assets, such as real estate, machinery and cars/lorries. In addition, the Group used the practical approach, envisaged by IFRS 16.B1, of applying the new standard also to a portfolio of leases which regard similar assets and which have the same characteristics (duration, start date and end date), since the effects from the application of the standard to the portfolio are not materially different from the application of the same standard to the individual contract.

Lastly, on the basis of the practical expedients (recognition exemptions for low-value and short-term leases), mainly rent contracts for IT equipment worth around € 1.1 million in annual fees were not considered, and the non-lease components approach was used, on the basis of which all the costs not strictly related to the right of use are not considered, while, to measure the right of use of assets at the date of first application, the initial direct costs are excluded.

With respect to the impact of IFRS 16 on liabilities, please refer to the accounting policy "Finance lease liabilities".

The impact for the year 2019 on the components of profit or loss amount to: € 1,810 thousand in increased financial

charges, € 22,702 thousand in increased depreciation and amortisation expense, and € 24,960 thousand in reversals of lease payments.

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 recognised in the income statement for the year.

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 to sell 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 cash generating unit) is estimated to be lower than its carrying value, it is reduced to the lower recoverable amount. Impairment losses are immediately recognised in the income statement.

If a depreciation has no longer a reason to exist, the carrying value of the asset (or of the cash generating unit), 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 recognised in the income statement.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying value and market value less costs to sell.

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 classification date of this item.

Financial activities related to ceased or discontinued operations, net of tax effects, are recognised under one single item in the consolidated income statement, including the comparative data of the relevant period.

INVESTMENTS IN ASSOCIATES

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

FINANCIAL ASSETS

In line with the new 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:

- amortised 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 derecognition. The Group classifies in this category listed shares which pass the SPPI test and which are held for the purpose of collecting the contractual and sale cash flows;

- fair value through the income statement (FVTPL), as a residual category, for assets which are not held in one of the above business models. This category mainly holds financial derivatives held for trading and debt instruments, the contractual flows of which are not solely principal and interest.

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.

Financial assets with embedded derivatives are fully valued at fair value through the income statement, if they do not pass the SPPI test as a single financial instrument.

Financial assets which are classified as contingent consideration are valued at fair value through the income statement.

INVENTORIES

Inventories are recognised at the lesser value between purchase and production cost, according to the weighted average cost method, and their presumed net value based on market price.

Cost includes direct materials and direct labour, general production costs and other costs incurred to bring inventories to their current location and condition.

The expected realisable net value is calculated keeping into account any production and direct costs of sale still to be incurred. 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 realisable value.

TRADE RECEIVABLES

Trade receivables are recognised at fair value of the initial consideration increased by transaction costs and subsequently measured at amortised cost using the effective interest method, net of impairment losses that reflect amounts deemed non-recoverable. The effective interest rate is recognised as financial income in the profit and loss statement of the year. Appropriate write-downs, with an estimate of non-recoverable amounts, are recognised in the income statement when there is objective evidence that the receivables have been impaired. Write-downs reflect the difference between the carrying value of receivables and the current value of expected future cash flows, discounted at the effective interest rate calculated at the initial recognition.

The provisions of IFRS 9 require the application of the expected credit loss model to assess the recoverability of the financial assets on the basis of a predictive approach; in particular, with reference to trade receivables, the expected losses were generally determined using the simplified approach based on the product of:

(i) the exposure due from the counterparty net of the related mitigants (so-called Exposure At Default, EAD)

(ii) the probability that the counterparty may not comply with their payment obligation (so-called Probability of Default, PD)

(iii) the estimate, in percentage terms, of the quantity of credit that cannot be recovered in the case of default (so-called Loss Given Default, LGD), on the basis of past experience and possible available recovery actions (e.g. out-of-court actions, legal disputes, etc.). In this regard, in order to determine the probability of default by counterparties, the internal ratings were adopted that were previously used for the purposes of the loan.

Consolidated trade receivables include also accounts payable of a temporary nature, arising mainly from the recognition of accruals and adjustments to business bonuses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognised 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. This item includes also 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.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at cost, as determined at the settlement date and corresponding to their fair value, net of transaction costs, recognised in the income statement, that are directly attributable to the issue of the financial liability. After the initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. The difference between amortised cost and the redemption value is recognised in the income statement in relation to the duration of liabilities based on accrued interest.

The item "Loans" includes interest-bearing bank loans and bank overdrafts, recognised on the basis of the collected amounts, net of the transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

FINANCIAL LIABILITIES FOR LEASES

Financial liabilities relating to IFRS 16 leases are initially measured at the present value of the lease fees (fixed and variable) still to be paid.

The Group determines the lease term as the non-cancellable period of a lease together with both periods covered by an option to extend the lease, if it is reasonably certain to exercise that option, and periods covered by an option to terminate the lease, if it is reasonably certain not to exercise that option.

With respect to some of its leases, the Group has the option to extend or terminate the lease.

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 is within its control and affects 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).

The redemption 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 amortised cost method.

The discount rate at which the lease fees (fixed and variable), that are still to be paid, are discounted is called the 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".

POST-EMPLOYMENT BENEFITS

Payments for defined contribution plans are recognised in the income statement for the period in which they are due.

The liability related to the short-term benefits granted to employees, paid during the employment relationship, is recognised as the amount matured at year-end.

The liability related to the benefits granted to the employees and paid at the time of, or following, the end of the employment relationship through defined benefit plans, i.e. the employee severance indemnity and the defined benefit pension plans, is recognised in the period when the right is exercisable, net of any plan assets and of any advance payments, and is calculated on the basis of actuarial assumption, and recognised on an accrual basis, consistent with the employment obligations to be met in order to obtain the benefits; the liability is calculated by actuaries.

As from 1 January 2013, the Group has applied, on a retrospective basis, the new amendment to *IAS 19 - Employee benefits*.

More specifically, the amendment has eliminated the option to defer the recognition of actuarial gains and losses according to the corridor method, requiring that all actuarial gains and losses be recognised immediately in the "Other comprehensive income", so that the entire net amount of defined benefit provisions (net of plan assets) is recognised in the consolidated statement of financial position. Additionally, the amendment sets forth that changes, between one period and the next, occurring in the defined benefits fund and in the benefit plan assets, must be divided into three components: the cost components related to the work performed in the year must be recognised in the income statement under "service cost"; net financial charges, calculated by applying the appropriate discount rate to the net balance of the defined benefit provision, net of the assets resulting at the beginning of the period, must be recognised as such in the income statement; actuarial gains and losses deriving from remeasurement of liabilities and assets, following mainly the changes in the demographic and/or actuarial financial assumptions, must be recognised in "other comprehensive income". In addition, the return on assets under net financial charges, as described above, is calculated on the basis of the discount rate of the liability and no longer of the expected return on assets.

PROVISIONS FOR RISKS AND CHARGES

The Group recognises provisions for risks and charges when it has an obligation, either legal or implicit, 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.

Changes in estimates are reflected in the income statement of the period when the change has occurred. In addition, the amortised cost method will be used for assessment where necessary.

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.

TRADE PAYABLES

Trade payables are recognised at their amortised cost, according to the effective interest rate method. Trade payables that are due within normal commercial terms are not discounted.

CONTRIBUTIONS

Public contributions, obtained against investments, are recognised 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.

REVENUE

In order to recognise 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 5 essential stages, as envisaged by IFRS 15: to identify the contract with the customer (stage 1); to identify the contractual obligations recognising 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 recognise 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 either over time or at a point in time.

In applying the aforementioned model, Ariston Thermo 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 with customers, which describe the nature, amount, timing and cash flows):

REVENUE STREAM	"REVENUE STREAM" DESCRIPTION	% REVENUES 2019	% REVENUES 2018
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 characterised by the sale of finished products.	**66%**	**70%**
DIY (DO IT YOURSELF)	Customers are large retailers (Euronics, Brico, LeRoy Merlin, Modern Trade...). The main performance obligation is characterised 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.	**8%**	**5%**
BUSINESS-TO-BUSINESS (B2B)	The main performance obligation is characterised by the sale of components, burners and heating only for specific projects: e.g., for institutions (schools, hospitals, etc.)	**10%**	**10%**
SERVICE	**Indirect service**: maintenance and repair services offered through Techical Support to the end customer. **Direct service** (Elco countries): maintenance and repair services offered directly to the end customer.	**16%**	**15%**
TOTAL		**100%**	**100%**

In addition, as a result of the new standard IFRS 15, the line item "Revenues" includes the main variable considerations, which in the case of the Group are largely associated with payables to customers. These consist of charges for commercial and marketing services received from customers (approximately € 4.6 million, measured by reference to contractual agreements or standard business practices), the "discounts granted on payments" to customers for prepayments (approximately € 7.9 million, measured by reference to specific terms and conditions of sale), and YEBs (year-end-bonuses), i.e. retroactive year-end bonuses awarded to customers upon meeting specified sales target, should the amount of products purchased during the period exceed a threshold specified in the agreement through offsetting with the amounts payable by the customer (approximately € 81.6 million, measured by reference to the specific year-end calculation). At the moment, rights of return are not material at the Group level.

The revenue from the sale of goods is recognised at a point in time on the basis of the means of delivery agreed with the customer (Incoterms), while the revenues from the sale of services and warranties are recognised over the contractual period on the basis of a straight-line method.

INCOME TAXES AND PRE-PAID AND DEFERRED TAXES

Current taxes are based on the taxable income for the year. The taxable income is different from the profit/loss recognised 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 tax liabilities are calculated at the applicable rates at the end of the reporting period.

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 recognised using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, whereas deferred tax assets are recognised 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 recognised, 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.

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.

Deferred taxes are calculated at the tax rate that is expected to be applied when the asset is realised or the liability extinguished. Deferred taxes are recognised directly in the income statement, except for those related to items recognised directly under equity, in which case the deferred taxes are also recognised under equity.

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.

TREASURY SHARES

Treasury shares are recognised in the financial statements at purchase cost and deducted from consolidated equity. Gains and losses deriving from the negotiation of treasury shares, net of the related tax effects, are recognised under equity reserves.

TRANSACTIONS IN A FOREIGN CURRENCY

Monetary assets and liabilities originally expressed in a foreign currency, recognised in the financial statements at the exchange rate in effect at the recognition date, are adjusted to the exchange rate at the end of the reporting period by offsetting them in the income statement of the relevant year.

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 includes this foreign operation.

USE OF ESTIMATES AND SIGNIFICANT ASSUMPTIONS

The preparation of the financial statements and related notes in accordance with IFRS standards requires that management provide estimates and assumptions which affect both the carrying amount of assets and liabilities and the disclosure about potential assets and liabilities at the end of the reporting period. Accordingly, actual results may differ from these estimates. The estimates are used to recognise provisions for credit risks, obsolete stock, benefits to employees, restructuring provisions, other allocations and provisions. Estimates and assumptions are periodically reviewed and the impact of any change is immediately reflected in the income statement. The estimates, if significant defined in more detail in the specific section of the Notes, are produced by applying specific statistical techniques based on the historic incidence of the carrying values of the relative items together with assumptions on the possible future development with the adoption, where necessary, of subjective assessments of the individual estimated liabilities.

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.

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:

(i) there is an economic relationship between the hedged item and the hedging instrument, such as to offset the related changes in value;

(ii) 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 risk management objectives, as part of the established risk management strategy, rebalancing where necessary.

Changes in the 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 recognised 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, 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 the income statement, is formally documented.

Changes in the value of the derivatives designated as fair value hedge and that are qualified as such, are recognised 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 recognised in the income statement, under the same line of the changes in hedged item.

NOTES TO THE FINANCIAL STATEMENTS

INCOME STATEMENT

NOTE 1.1 - REVENUE

During 2019, the Group recorded revenue of € 1,710,153 thousand, compared to € 1,612,134 thousand in the previous year, with an increase of around € 98 million (+6.1%).

Organic growth, adjusting for the expanded scope of consolidation following the acquisition of the Calorex group effective 1 May 2019, was up € 20 million (+1.3%), also thanks to favourable exchange rate movements.

For a more complete analysis, reference should be made to the Directors' Report on Operations.

The Revenue item can be broken down as follows:

REVENUE (in thousand €)	**31 DEC. 2019**	**31 DEC. 2018**
Revenues from sales	1,573,016	1,479,607
Revenues from services	128,192	123,525
Other revenues	8,945	9,001
Total	**1,710,153**	**1,612,134**
Other operating income	31,590	36,162
Total revenue	**1,741,743**	**1,648,296**

"Other operating 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 include, mainly, extraordinary income related to no longer due obligations; the release of provisions for risks which are no longer likely to occur, the gains on the disposal of fixed assets and other income.

As at 31 December 2019, they amounted to € 31,590 thousand, down by € 4,572 thousand compared to the previous year, as a result of lower contingencies and releases.

NOTE 1.2 – RAW MATERIALS, CONSUMABLES AND GOODS FOR RESALE

As at 31 December 2019, the "Purchase cost of raw materials, consumables and goods for re-sale", amounted to € 757,790 thousand, up by € 32,820 thousand compared with the same period of the previous year, partly due to the increase in the scope of consolidation.

The trend in purchases and the change in inventories also highlight a slight increase in the average percentage of raw materials consumed to revenue, a percentage which, from 43.5% in 2018, rose to 43.8%, largely because of the different sales volume mix.

NOTE 1.3 – SERVICES

"Costs for services" amounted to € 339,655 thousand versus € 332,287 thousand for the year 2018, up by € 7,368 thousand, and can be detailed as follows:

SERVICES (in thousand €)	31 DEC. 2019	31 DEC. 2018
Logistics and trasport	73,909	68,317
Other services	68,594	76,969
Sub-contracted work	51,910	56,533
Advertising and promotion	35,541	37,603
Rental and lease expenses	15,317	14,698
Utilities	17,710	15,729
Bonuses and commissions	19,196	14,378
Consulting services	17,875	14,671
Sub-contracted maintenance	15,341	14,106
Technical support	13,225	10,313
Insurance	6,393	6,590
Directors and Statutory Auditors' Fees	4,644	2,380
Total	**339,655**	**332,287**

Overall costs for services, excluding the impact of the Calorex group acquisition, amounted to € 330,588 thousand, down € 1,699 thousand from € 332,287 thousand in the prior-year period.
The decline in costs for services largely concerned "Other services", down € 8,375 thousand, because of the lower distribution costs incurred by the Chinese subsidiary with respect to the "Coal to Gas" project; "Sub-contracted work", down € 4,623 thousand, because of the lower production volumes registered during the period; and "Advertising and promotion", down € 2,062 thousand, as in 2018 this line item had been affected by the "Ariston Comfort Challenge" marketing campaign rolled out globally in all the markets where the Ariston Thermo Group operates.

NOTE 1.4 – PERSONNEL COSTS

In 2019, "Personnel costs" amounted to € 392,235 thousand, up by € 20,828 thousand compared with the same period of the previous year.
Costs are detailed as follows:

PERSONNEL (in thousand €)	31 DEC. 2019	31 DEC. 2018
Wages and salaries	304,859	290,574
Social security costs	66,810	64,946
Provision for Employees severance indemnity	7,222	5,386
Provision for retirement benefits and other funds	2,443	333
Other personnel costs	10,900	10,168
Total	**392,235**	**371,407**

Labour costs were up year-on-year because of the consolidation of the Calorex group, which had an approximately € 12 million impact, as well as the usual remuneration adjustments.

The incidence in social security costs on the total remunerations is in line with the previous year, standing at approximately 22%.
The headcount by category of employee was:

HEADCOUNT (number of people)	31 DEC. 2019	31 DEC. 2018	Average	Δ
Managers and white collars	3,681	3,470	3,575	211
Blue collars	3,838	3,386	3,612	452
Total	**7,519**	**6,856**	**7,187**	**663**

The Calorex group added 783 employees to the headcount.

NOTE 1.5 – PROVISIONS AND WRITE-DOWNS

During the year, "Provisions and write-downs" were recognised for € 21,326 thousand versus € 23,281 thousand in 2018. In detail, the provisions were the following:

PROVISIONS AND WRITE-DOWNS (in thousand €)	31 DEC. 2019	31 DEC. 2018
Bad debt provision	2,372	2,913
Product warranty provision	11,297	10,751
Provision for installation	3,423	3,509
Provision for legal disputes	2,544	847
Provision for restructuring	246	1,362
Other provisions and write-downs	1,444	3,899
Total	**21,326**	**23,281**

The amount of provisions and write-downs was down by € 1,955 thousand in comparison with the same period in the previous year.
The net decline was largely attributable to the € 2,455 thousand decrease in provisions set aside compared to the prior year associated with adjustments to production, included in "Other provisions and write-downs", and the € 1,116 thousand decline in provisions for restructuring, which offset the greater amounts set aside by subsidiaries for legal disputes.

NOTE 1.6 – OTHER OPERATING EXPENSES

"Other operating expenses" amounted to € 31,173 thousand versus € 26,553 thousand of the previous year and can be detailed as follows:

OTHER OPERATING EXPENSES (in thousand €)	31 DEC. 2019	31 DEC. 2018
Non-income tax and taxes	6,004	5,738
Losses on receivables	601	1,833
Office supplies and printing	1,722	1,789
Concession rights and other	4,871	2,742
Subsidies and contributions	716	714
Other operating expenses	17,260	13,737
Total	**31,173**	**26,553**

This item includes all ordinary operating expenses that cannot be recognised under other items.
Other operating expenses rose by € 4,620 thousand compared with the previous year, including € 1,202 thousand attributable to the Calorex group, while the remainder was mostly due to a steady increase in the gas quotas on products sold.

NOTE 1.7 – FINANCIAL INCOME

"Financial income" had a balance of € 3,701 thousand at the end of the period, up compared to the value of € 2,672 thousand in 2018. The item can be detailed as follows:

FINANCIAL INCOME (in thousand €)	31 DEC. 2019	31 DEC. 2018
Interest income on bank current accounts	1,899	1,115
Interest income and discounts received on payments	132	84
Financial income on provisions for employee benefits	1,231	1,008
Other financial income	438	466
Total	**3,701**	**2,672**

The change between the two periods was mainly due to the item "Interest income on bank current accounts", mainly because of the change in the scope of consolidation associated with Calorex as well as the interest income reported by the Vietnamese associate as a result of rising cash on hand. The other items making up the total were largely unchanged between the two years in question.

NOTE 1.8 – FINANCIAL EXPENSE

This item shows a balance of € 17,246 thousand versus a balance of € 18,201 thousand as at 31 December 2018.
The item can be detailed as follows:

FINANCIAL EXPENSE (in thousand €)	31 DEC. 2019	31 DEC. 2018
Interest expense on MLT bank loans	4,257	4,279
Interest expense on ST bank loans	979	686
Interest expense on other MLT loans	1,810	1,744
Financial expense on provisions for employee benefits	2,223	1,801
Other financial expense	7,976	9,691
Total	**17,246**	**18,201**

Compared to the previous year, the amount of financial expense fell slightly mainly due to the change in "Other financial expense" attributable to a decrease in actualisation interests deriving from the measurement at fair value of the obligations related to acquisitions, occurred in previous periods, which provide for the future exercise of the put/call options for acquiring 100% control.

NOTE 1.9 - EXCHANGE RATE GAINS/LOSSES

"Exchange rate gains/losses" show overall a negative balance of € 156 thousand which can be broken down as follows:

EXCHANGE RATE GAINS/LOSSES (in thousand €)	31 DEC. 2019	31 DEC. 2018
Exchange rate gains	15,523	12,750
Exchange rate losses	-22,860	-21,886
Unrealised exchange rate gains	10,763	4,680
Unrealised exchange rate losses	-3,582	-744
Total	**-156**	**-5,200**

"Exchange rate gains and losses" include the monetary changes on the accounting entries that were realised at the end of the reporting period; the "Unrealised exchange rate gains and 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.
In the same period of the previous year, the result relating to realised and unrealised exchange rate gains and losses was negatively affected mainly by the depreciation of the Turkish lira and the Argentinian peso.

NOTE 1.10 - PROFIT (LOSS) ON INVESTMENTS

The item "Profit (loss) on investments" was positive for € 5,040 thousand, mainly due to the annual revision of the value of obligations relating to put/call options connected to extraordinary acquisitions, with the recognition in the income statement of any valuation differences. In 2018, this item was still positive at € 4,540 thousand and was again related to the valuation of the obligations connected to the put and call options entered into for the latest acquisitions of the Group.

NOTE 1.11 – TAXES

The "Taxes", recognised in the consolidated income statement and compared with the profit before tax, are the following:

TAXES (in thousand €)	31 DEC. 2019	31 DEC. 2018	Δ
Profit before tax	**125,799**	**110,577**	**15,222**
Current taxes	40,420	28,834	11,586
Deferred taxes	-3,638	168	-3,806
Total taxes	**36,782**	**29,002**	**7,780**
Average rate	29.2%	26.2%	3.0%

The overall taxes recorded at 31 December 2019 were € 36,782 thousand, with a tax rate of 29.2% on pre-tax income, compared to € 29,002 thousand in 2018, and with a tax rate of 26.2%.
The increase in value and in percentage of taxes was mainly connected to the country mix, the recognition of taxes relating to prior periods following the conclusion of tax audits, and the existence of tax losses for which the Group did not recognise deferred taxes in certain countries. The analysis of the difference between the theoretical tax rate (defined as equal to the Italian rate applicable for the calculation of income taxes) and the actual one for the periods compared is the following:

EFFECTIVE TAX RATE RECONCILIATION (in thousand €)	31 DEC. 2019	31 DEC. 2018
Theoretical tax based on Italian rate	30,192	26,213
Taxes from previous years	4,496	500
IRAP (Italian regional tax on productive activity)	3,577	3,082
Deferred taxes not recognised on losses	2,124	762
Tax rate differential	-673	-325
Change in tax rate	-850	0
Effect of tax benefits in Italy	-1,272	-1,392
Other	-812	161
Effective Tax	**36,782**	**29,002**

NOTE 1.12 – PROFIT/LOSS FROM DISCONTINUED OPERATIONS

The year 2019 does not show any figures related to profit/loss from discontinued operations.

NOTE 1.13 – BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share as at 31 December 2019 amounted to € 3.14 and are calculated by dividing the net profit for the year attributable to the ordinary shareholders of the Parent Company, of € 89,017 thousand, by the number of ordinary shares outstanding during the period that is 28,393,150.

The number of outstanding shares is lower than the number of shares issued owing to the purchases of treasury shares by the Parent Company as from 2009.
The diluted earnings per share are the same as the basic earnings per share since there are no elements that may generate a diluted effect.

SPECIAL ITEMS

In 2019, the "Special Items", i.e. income from non-recurring events or transactions, restructuring or employment termination agreements, and other events not representative of normal business operations, caused the Group to recognise charges totalling € 14,253 thousand (€ 7,592 thousand in 2018) in terms of profit before tax, and € 10,154 thousand (€ 5.682 thousand in 2018) in terms of net profit.
These expenses comprise primarily the costs for restructuring operations paid in the current year and allocations to the restructuring provision, as well as, to a lesser extent, other non-recurring income and expenses.

MAIN ATYPICAL OR UNUSUAL TRANSACTIONS

For a description of the main atypical and/or unusual transactions, defined as those transactions which, by their significance, relevance, nature of the counterparty, subject matter and timing (near the end of the financial period) require more details in the financial statements, see the Directors' Report on Operations.

STATEMENT OF FINANCIAL POSITION – ASSETS

NOTE 2.1 – INTANGIBLE ASSETS

As at 31 December 2019, "Intangible assets" amounted to € 411,354 thousand, up by a net € 74,234 thousand as at 31 December 2018, net of the amortisations for the period of € 16,226 thousand, in addition to other changes.

Depreciations for the period are recognised under the appropriate item in the income statement.
Details of and changes in intangible assets are the following:

INTANGIBLE ASSETS

	GOODWILL	OTHER INT. ASSETS			TOTAL		
(in thousand €)	Net value	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2017	**248,567**	**147,242**	**-67,299**	**79,944**	**395,810**	**-67,299**	**328,511**
Change in the scope of consolidation (Novapower R1)	1,682	129	-68	61	1,811	-68	1,743
Increases	0	16,306	0	16,306	16,306	0	16,306
Decreases	0	-207	0	-207	-207	0	-207
Revaluations/Write-downs	0	-106	-26	-132	-106	-26	-132
Amortisation	0	0	-14,050	-14,050	0	-14,050	-14,050
Exchange rate effect	2,338	243	9	252	2,582	9	2,590
Other	0	-11,077	13,436	2,359	-11,077	13,436	2,359
Total changes	**4,021**	**5,288**	**-698**	**4,590**	**9,308**	**-698**	**8,610**
As at 31.12.2018	**252,587**	**152,530**	**-67,997**	**84,533**	**405,118**	**-67,997**	**337,121**
Change in the scope of consolidation (Calorex Group)	43,264	30,503	-3,150	27,352	73,767	-3,150	70,616
Increases	0	15,748	0	15,748	15,748	0	15,748
Decreases	0	26	0	25	26	0	25
Revaluations/Write-downs	0	-194	37	-157	-194	37	-157
Amortisation	0	0	-16,226	-16,226	0	-16,226	-16,226
Exchange rate effect	4,081	1,066	-425	642	5,147	-425	4,723
Other	0	-3,142	2,646	-496	-3,142	2,646	-496
Total changes	**47,345**	**44,006**	**-17,117**	**26,889**	**91,351**	**-17,117**	**74,234**
As at 31.12.2019	**299,932**	**196,536**	**-85,114**	**111,422**	**496,469**	**-85,114**	**411,354**

The net total amount of the goodwill was € 299,932 thousand versus € 252,587 thousand at 2018 year-end. The balance at the end of the period shows a change compared with 2018 resulting from the changes in exchange rates, positive for € 4,081 thousand, and the acquisition of the Mexican Calorex group for € 43,264 thousand, resulting from the measurement at fair value of the acquired group, as further detailed in the "Business combinations" note.
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, as at 31 December 2019, the impairment test was carried out as described hereinafter.

IMPAIRMENT TEST

On an annual basis, the Group reviews the carrying value of its tangible and intangible assets in order to determine if they have lost value. Should there be significant evidence of such a loss, the amount of the impairment loss is determined by estimating the recoverable value of the cash generating unit to which the assets in question belong.
As clearly indicated in the relevant accounting standards, intangible assets with an indefinite useful life, including goodwill, are tested at least on an annual basis, regardless of any indication of impairment, by comparing the value in use of the related cash generating units. The criterion for determining the value in use follows the IAS 36 guidelines and is based on the current value of the expected future cash flows which are assumed to derive from the ongoing use and the disposal of an asset at the end of its useful life after being discounted at an interest rate that reflects the current money market rates as well as specific risks related to the cash generating unit in question.

DESCRIPTION OF THE CASH GENERATING UNIT (CGU) FOR THE GOODWILL

The smallest operating units or groups of cash generating units, to which future cash flows that are objectively measurable and independent from those generated by other operating units (i. e. the CGUs) are to be associated, have been identified based on the organisational and operating model of the Group.
These sectors represent the most significant breakdown of the risk and benefit profile of the Company.
At 31 December 2019, the reference CGUs were the three divisions to which specific areas of managerial responsibility refer: Thermal Comfort (TC), Burners (BUR) and Components (COM).

ASSUMPTIONS RELATED TO THE IMPAIRMENT PLAN

The discounted cash-flow analysis on which the test is based was developed starting from the scenarios outlined for the 2020-2022 period, prepared under the assumption that the Group will remain fully operational for the foreseeable future.
The main assumptions formulated for the preparation of the impairment test are the following:
- **Net invested capital** by CGU (in thousand euro): TC 880,278, BUR 45,454, COM 37,480
- **Goodwil** by CGU (in thousand euro): TC 281,192, BUR 13,009, COM 5,731
- **Trademark** by CGU (in thousand euro): TC 28,440
- **CAGR** (composite annual growth rate of the turnover in 2020-2022) by CGU: TC 4.70%, BUR 4.65%, COM 2.16%
- **WACC** (weighted average cost of capital) by CGU: TC 7.23%, BUR 7.34%, COM 7.92%

IMPAIRMENT TEST RESULTS

Based on the analyses conducted under the above assumptions, and considering also a sensitivity analysis of WACC and CAGR beyond the specific planning timeframe, the Group can confirm the adequacy of the reported amounts.

The "Other intangible assets" item is composed of the following:

OTHER INTANGIBLE ASSETS (in thousand €)	31 DEC. 2019	31 DEC. 2018
Concessions, licenses, trademarks	42,939	29,139
Development costs	22,473	25,701
Software	18,286	11,300
Intangible assets under development	13,441	11,802
Other	14,283	6,592
Total	**111,422**	**84,533**

The item "Concessions, licenses, trademarks" includes, for € 28,440 thousand, the value of sole ownership of the Ariston trademark since its use was already included in the assets of the Group, acquired in 2008 through a non-proportional division operation of the subsidiary Marchi & Brevetti. Since the trademark has an indefinite useful life, it is subject to impairment test.
"Other intangible assets" were up € 26,889 thousand during the period, largely because part of the goodwill attributed to the Calorex group at the time of the acquisition was allocated to licenses, trademarks, and other intangible assets.
The other intangible assets have a definite useful life and are consequently amortised as necessary.
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 € 8.3 million (€ 8.3 million in 2018) out of a total of € 22.5 million (€ 25.7 million in 2018) reported in the financial statements.
For additional details on the main initiatives, see the specific paragraph in the Directors' Report.
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 invested capital 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 2.2 – PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2019, "Property, plant and equipment" amounted to € 369,424 thousand, up by a net € 31,284 thousand compared to 31 December 2018.
Depreciations for the period are recognised under the appropriate item in the income statement and amounted to € 58,150 thousand.
Details of and changes in property, plant and equipment are the following:

PROPERTY, PLANT AND EQUIPMENT

(in thousand €)	Land and buildings			Plant and machinery			Other property, plant and equipment			Total		
	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2017	**213,134**	**-103,421**	**109,714**	**347,053**	**-258,821**	**88,232**	**235,288**	**-169,848**	**65,440**	**795,475**	**-532,088**	**263,385**
Right of use at 1.01.2018	40,777	0	40,777	515	0	515	19,930	0	19,930	61,221	0	61,221
Change in the scope of consolidation (Novapower R1 + BCE)	49	-8	42	9	-7	2	8,699	-3,355	5,343	8,756	-3,370	5,386
Increases	18,496	0	18,496	12,811	0	12,811	36,744	0	36,744	68,051	0	68,051
of which for right of use	*14,674*	*0*	*14,674*	*146*	*0*	*146*	*7,755*	*0*	*7,755*	*22,575*	*0*	*22,575*
Decreases	-808	29	-779	-865	6	-859	243	64	307	-1,430	99	-1,332
Revaluations/Write-downs	0	-5	-5	-3	-1,823	-1,826	-56	-238	-293	-59	-2,066	-2,124
Depreciation	0	-16,783	-16,783	0	-13,971	-13,971	0	-23,031	-23,031	0	-53,785	-53,785
of which for right of use	*0*	*-11,619*	*-11,619*	*0*	*-245*	*-245*	*0*	*-9,365*	*-9,365*	*0*	*-21,229*	*-21,229*
Exchange rate effect	416	-283	133	-1,176	860	-316	-458	245	-213	-1,218	822	-396
Other	-7,344	7,533	189	-3,608	11,225	7,616	-14,218	4,145	-10,073	-25,171	22,903	-2,268
Total changes	**51,586**	**-9,517**	**42,070**	**7,681**	**-3,711**	**3,970**	**50,883**	**-22,170**	**28,713**	**110,150**	**-35,397**	**74,753**
As at 31.12.2018	**264,721**	**-112,937**	**151,783**	**354,735**	**-262,532**	**92,202**	**286,171**	**-192,018**	**94,152**	**905,626**	**-567,485**	**338,138**
Change in the scope of consolidation (Calorex Group)	15,336	-1,424	13,912	31,633	-18,726	12,907	1,507	-782	725	48,475	-20,932	27,544
Increases	12,134	0	12,134	10,525	0	10,525	36,669	0	36,669	59,328	0	59,328
of which for right of use	*9,503*	*0*	*9,503*	*25*	*0*	*25*	*14,572*	*0*	*14,572*	*24,100*	*0*	*24,100*
Decreases	-1,246	307	-939	824	165	989	-2,119	237	-1,882	-2,541	708	-1,833
Revaluations/Write-downs	121	0	121	32	-13	19	0	0	0	153	-13	140
Depreciation	0	-18,181	-18,181	0	-15,674	-15,674	0	-24,295	-24,295	0	-58,150	-58,150
of which for right of use	*0*	*-12,657*	*-12,657*	*0*	*-202*	*-202*	*0*	*-9,843*	*-9,843*	*0*	*-22,702*	*-22,702*
Exchange rate effect	4,260	-1,236	3,024	2,924	-1,972	952	2,049	-1,057	991	9,232	-4,265	4,967
Other	-1,682	1,415	-267	3,544	4,831	8,375	-13,202	4,382	-8,820	-11,340	10,628	-712
Total changes	**28,922**	**-19,119**	**9,803**	**49,481**	**-31,389**	**18,092**	**24,905**	**-21,516**	**3,389**	**103,307**	**-72,023**	**31,284**
As at 31.12.2019	**293,642**	**-132,056**	**161,586**	**404,216**	**-293,921**	**110,295**	**311,076**	**-213,534**	**97,542**	**1,008,933**	**-639,509**	**369,424**

The € 31,284 thousand net increase is resulting from the algebraic sum of different factors:
- the acquisition of the Calorex group contributed to the increase in property, plant and equipment for € 27,544 thousand. This refers primarily to assets used in the performance of normal production activities measured overall at fair value as at the acquisition date;
- the investments in the year, amounting to € 59,328 thousand;
- the depreciations for the period, amounting to € 58,150 thousand.

With regard to the effects of the translation of the assets held by foreign subsidiaries, the minimum write-down recorded at 31 December 2018 of negative € 396 thousand, was followed by a significant revaluation of positive € 4,967 thousand in 2019.

In accordance with the new standard IFRS 16, below are the carrying amounts of right-of-use assets and the relevant changes during the period:

RIGHT-OF-USE ASSETS

(in thousand €)	Land and buildings			Plant and machinery			Other property, plant and equipment			Total		
	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2018	**55,751**	**-11,552**	**44,199**	**717**	**-302**	**415**	**27,845**	**-9,370**	**18,476**	**84,313**	**-21,223**	**63,090**
Change in the scope of consolidation (Calorex Group)	2,916	-315	2,602	0	0	0	0	0	0	2,916	-315	2,602
Increases	9,503	0	9,503	25	0	25	14,572	0	14,572	24,100	0	24,100
Decreases	-1,858	912	-947	-13	5	-8	-811	661	-151	-2,683	1,578	-1,105
Revaluations/Write-downs	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation	0	-12,657	-12,657	0	-202	-202	0	-9,843	-9,843	0	-22,702	-22,702
Exchange rate effect	986	-168	818	4	-3	1	554	-186	368	1,543	-356	1,187
Other	-3,344	1,169	-2,175	-144	144	0	-2,059	2,059	0	-5,546	3,371	-2,175
Total changes	**8,203**	**-11,059**	**-2,856**	**-128**	**-56**	**-184**	**12,255**	**-7,309**	**4,946**	**20,330**	**-18,424**	**1,906**
As at 31.12.2019	**63,954**	**-22,611**	**41,343**	**589**	**-357**	**232**	**40,101**	**-16,679**	**23,422**	**104,643**	**-39,647**	**64,998**

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 flows method.

The item "Other property, plant and equipment "amounted to € 97,542 thousand, up by € 3,389 thousand compared with 31 December 2018.

The breakdown is detailed below:

OTHER PROPERTY, PLANT AND EQUIPMENT (in thousand €)	31 DEC. 2019	31 DEC. 2018
Industrial and commercial equipment	45,312	43,019
Means of transport	23,287	19,314
Furniture and office equipment	3,685	3,790
EDP machinery	4,011	3,845
Assets under construction	15,749	18,940
Other property, plant and equipment	5,498	5,245
Total	**97,542**	**94,152**

NOTE 2.3 – INVESTMENTS IN ASSOCIATES

As at 31 December 2019, there are no investments in associates.

BUSINESS COMBINATIONS

On 30 April 2019, Ariston Thermo Group acquired 100% of the share capital of the Calorex group, a company well-established in Mexico and the United States that designs, manufactures, and sells gas, electric, and solar water heaters under leading market brands.
A comparison of the overall purchase cost to the fair value of the assets acquired gave rise to an overall difference of € 64 million, including € 21 million allocated to licenses, trademarks and other intangible assets, as described in note 2.1 – "Intangible assets", and the remainder to goodwill.

COMPANY:	**Calorex Group**
ACTIVITY:	**design, manufacturing, and marketing of gas, electric, and solar water heaters**
ACQUISITION DATE:	**30 APRIL 2019**
ACQUISITION %:	**100% through the subsidiaries Ariston Thermo Mexico sa de CV and Ariston Thermo USA LLC**

THE FAIR VALUE OF ASSETS AND LIABILITIES AT THE ACQUISITION DATE IS:

(in thousand MXN)	at 30 april 2019	
	Carrying value IAS	Fair value
Trade receivables	431,312	431,312
Inventories	680,730	680,730
Trade payables	-331,436	-331,436
Net fixed assets	525,109	968,218
Other assets/liabilities	-18,689	-150,237
Net financial position	65,124	65,124
VALUE OF ASSETS NET OF LIABILITIES	**1,352,150**	**1,663,711**
% acquisition		100.00%
** VALUE of acquisition		1,663,711
** GOODWILL of acquisition		924,840

In the period between the acquisition date and the end of the reporting period, the Calorex group has contributed to the income statement of Ariston Thermo Group, with € 76,620 thousand in revenue and € 5,842 thousand in profit after taxes.

NOTES 2.4 – DEFERRED TAX ASSETS AND LIABILITIES

"Deferred tax assets and liabilities" show a net positive balance of € 17,691 thousand with an overall positive change of € 5,865 thousand compared with the figure as at 31 December 2018.

DEFERRED TAX ASSETS AND LIABILITIES

(valori in migliaia di euro)	31 DEC. 2019			31 DEC. 2018		
	Temporary differences	Tax rate	Tax effect	Temporary differences	Tax rate	Tax effect
DEFERRED TAX ASSETS						
Intragroup gains on inventory	9,214	23.4%	2,157	8,788	26.7%	2,346
Assets for employee benefits	35,614	24.1%	8,567	38,951	27.0%	10,509
Retained tax losses	29,226	25.1%	7,325	10,243	30.2%	3,095
Alignment with Group accounting standards	8,841	29.1%	2,571	16,589	16.4%	2,726
Bad debt provision	8,514	25.1%	2,133	7,157	27.9%	1,997
Product warranty provision	26,883	20.0%	5,388	22,797	23.5%	5,356
Obsolete stock provision	5,764	27.6%	1,590	5,074	28.3%	1,435
Allowance for installation	3,280	23.9%	783	4,510	25.5%	1,148
Goodwill and contributions	3,767	28.0%	1,055	3,767	28.0%	1,055
Other	70,762	26.2%	18,538	67,597	23.6%	15,947
Total	**201,865**	**24.8%**	**50,107**	**185,473**	**24.6%**	**45,614**
DEFERRED TAX LIABILITIES						
Provisions for employee benefits	2,766	18.7%	516	2,561	28.0%	717
Accelerated amortisations/depreciations	20,255	25.9%	5,240	20,781	27.3%	5,683
Temporary differences on risks	17,175	28.0%	4,809	22,307	27.7%	6,170
Alignment with Group accounting standards	45,412	18.0%	8,191	39,303	20.1%	7,912
"Ariston" brand valuation	28,440	28.0%	7,963	28,440	28.0%	7,963
Other	29,916	19.0%	5,697	21,240	25.2%	5,343
Total	**143,963**	**22.5%**	**32,416**	**134,632**	**25.1%**	**33,789**
EFFECT ON EQUITY			**17,691**			**11,825**

The effect of deferred tax assets and liabilities on equity rose overall by an amount of € 5,865 thousand and was due to a range of temporary differences, including mainly the differences associated with the various provisions, recorded in the financial statements.

NOTE 2.5 – FINANCIAL ASSETS

"Financial assets" amounted to € 3,371 thousand at 31 December 2019, up by € 1,075 thousand compared to 2018. This item mainly consists of the value of "Other investments" held for the medium/long term, measured at fair value, since they are mainly classified as "Debit instruments at fair value through income statement (FVPL)". The increase of € 825 thousand during the period is due in part to the subscription, by the Parent Company Ariston Thermo SpA, of further equity investment in an "Investment company in risk capital (SICAR) provision" specialising in interventions in sectors where the Group operates and in part to the impact of the provision's measurement in accordance with IFRS 9.
The inclusion of the Calorex group in the scope of consolidation caused financial assets to rise by € 201 thousand.

NOTE 2.6 – NON-CURRENT FINANCIAL ASSETS

"Non-current financial assets" of € 3,516 thousand related to liquidity against contractual commitments towards third-party shareholders arising from the acquisition of the American HTP Comfort Solutions LLC.

NOTE 2.7 – 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.
The item amounted, at December 2019, to € 6,208, up compared with the € 5,519 thousand of 2018. The increase was largely related to the Lombardy regional government grants receivable to promote new investments in technological research and development.

NOTE 2.8 – INVENTORIES

Following is the composition of "Inventories" as at 31 December 2019, net of the obsolete stock provision.

INVENTORIES (in thousand €)	31 DEC .2019	31 DEC .2018
Raw materials	79,182	82,321
Work in progress and semi-finished goods	10,327	9,071
Finished goods and goods for resale	186,435	177,161
Total	**275,943**	**268,553**

Gross value of inventories, as at 31 December 2019, amounted to € 313,659 thousand (€ 300,124 thousand as at 31 December 2018), whereas the provision amounted to € 37,716 thousand (€ 31,571 thousand as at 31 December 2018).
The net € 7,390 rise in inventories during 2019 was the result of, on the one hand, the increase caused by the expansion in the corporate structure, with a € 36,634 thousand impact on the gross amount of inventories and a € 4,867 thousand impact on the obsolete stock provision (included in the line item "Other" in the table showing the changes in the provision), and on the other hand, the considerable decrease in inventories—especially of heating products—on a like-for-like basis, as the Group thoroughly and relentlessly optimised working capital.
The provision set up for obsolete or slow-moving stock is substantially in line with previous year, excluding the contribution from Calorex.
The obsolescence risk is measured taking into account the stock rotation, calculated monthly as the ratio of inventories to consumption over the last twelve months, and the product life cycle. On the basis of these two parameters, 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 thousand €)	Raw materials	Work in progress and semi-finished goods	Finished goods and goods for resale	Total
As at 31.12.2018	**7,238**	**1,169**	**23,164**	**31,571**
Increases	4,902	1,036	9,899	15,836
Decreases	-685	-42	-2,296	-3,024
Release	-3,352	-1,162	-7,295	-11,810
Exchange rate effect	84	1	247	332
Other	-75	75	4,810	4,810
Total changes	**874**	**-93**	**5,364**	**6,145**
As at 31.12.2019	**8,113**	**1,076**	**28,528**	**37,716**

It should be noted that the item "Release" includes the income following reversal of the provisions previously recognised, whose reasons for being created have ceased to exist.

The item "Other" shows primarily the reclassifications.
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 € 237,618 thousand, net of a bad debt provision of € 19,904 thousand.

Compared with 31 December 2018, the net balance shows a € 32,005 thousand increase in absolute values. This increase was due to the acquisition, during the first half of the year, of the Calorex Group (€ 31,614 thousand), as well as the effects of the geographical mix. The incidence, in percentage, of trade receivables on the turnover of the last 12 months was equal to 13.6% (12.6% assuming the same consolidation scope) compared with 12.7% recorded at 31 December 2018.

The bad debt provision, amounting to € 19,904 thousand, was up a net € 224 thousand compared with 31 December 2018, due to the share of the provision arising from the new acquisition. This was slightly offset by certain drawdowns as the Group wrote off non-performing loans confirmed to be no longer recoverable.
As at 31 December 2019, the provision was deemed to be appropriate for the estimated losses from unsecured or in litigation receivables.

Following are the changes in the bad debt provision:

BAD DEBT PROVISION

(in thousand €)	Short term	Medium/long-term	Total
As at 31.12.2018	**11,277**	**8,403**	**19,680**
Increases	1,582	790	2,372
Decreases	-1,212	-414	-1,626
Release	-728	-254	-982
Exchange rate effect	68	-77	-9
Other	632	-163	469
Total changes	**342**	**-118**	**224**
As at 31.12.2019	**11,619**	**8,284**	**19,904**

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.

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.

As at December 2019, the item amounted to € 16,007 thousand versus € 10,550 thousand in 2018, mainly due to:

TAX RECEIVABLES (in thousand €)	31 DEC. 2019	31 DEC. 2018
Other ST tax receivables	12,643	6,214
Tax receivables for taxes paid in excess	2,081	1,785
Tax receivables for receivables from the Parent company	1,283	2,550
Total	**16,007**	**10,550**

The overall € 5,457 thousand increase was largely attributable to the estimated tax payments made by some subsidiaries and the recognition of research and development tax credits.

The item does not include deferred taxes that are handled separately.

NOTE 2.11 – CURRENT FINANCIAL ASSETS

As at 31 December 2019, the item "Current financial assets" amounted to € 16,022 thousand, up from € 6,224 thousand at the end of 2018.
These consist primarily of short-term bank notes or similar tradable instruments held by subsidiaries in China, issued and backed by leading domestic banks and used in commercial transactions with customers and suppliers in order to settle supply agreements.
For the sake of comparison, the amount of current financial assets in 2018 was restated due to the reclassification of € 5,182 thousand worth of so-called bank notes in the portfolio of the Chinese subsidiaries out of "Other current assets".

NOTE 2.12 – OTHER CURRENT ASSETS

"Other current assets", which were affected by the reclassification for the year 2018 described in note 2.11 – "Current financial assets", totalled € 32,212 thousand and were essentially in line with the prior year. The main items are:

OTHER CURRENT ASSETS (in thousand €)	31 DEC. 2019	31 DEC. 2018
Advances to suppliers	6,163	5,834
Receivables from employees	652	685
Indirect tax receivables	13,933	13,668
Other receivables	11,464	9,821
Total	**32,212**	**30,008**

NOTE 2.13 – CASH AND CASH EQUIVALENTS

“Cash and cash equivalents”, amounting to € 313,346 thousand as at the end of 2019, are represented almost entirely by bank and postal account deposits, as shown in the following table:

CASH AND CASH EQUIVALENTS (in thousand €)	31 DEC. 2019	31 DEC. 2018
Bank and postal deposits	311,847	307,674
Cash on hand	1,499	1,490
Total	**313,346**	**309,164**

The item “Bank and postal deposits” is primarily represented by credit balances on short term bank and postal deposits held at the banks used by the Group. Compared to 31 December 2018, the net balance of cash and cash equivalents rose by € 4,182 thousand, essentially in line with the prior year.
The amount of cash with a pre-determined use is not significant.

NOTE 2.14 – ASSETS HELD FOR SALE

As at 31 December 2019, the item “Assets held for sale” amounted to € 377 thousand, up by € 116 thousand compared with 31 December 2018. The item includes the assets held for sale by the Romanian, Hungarian and Italian subsidiaries, recognised at the lower of the carrying value and the market value (net of sale costs). These assets derive from calling upon secured guarantees on trade receivables held by the companies and not collected at their natural expiry date.

STATEMENT OF FINANCIAL POSITION – LIABILITIES

NOTE 3.1 – EQUITY

The total consolidated equity as at 31 December 2019 amounted to € 522,483 thousand, up compared with € 463,920 thousand as at 31 December 2018.

The overall change, as already explained in the Directors' Report, is the result of the algebraic sum of items of opposite signs, such as:

- the increase in the profit of the Group, for the period, amounting to about € 89 million;

- the reserve for conversion of financial statements into the appropriate 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, which has had a positive impact of about € 2 million;

- the distribution of dividends for approximately € 30.8 million, including € 28.4 million to the parent Merloni Holding SpA and € 2.4 million to non-controlling interests in the newly acquired HTP Comfort Solutions LLC;

- the negative change due to the remeasurement of the pension provisions, for about € 2.9 million, mainly following changes in the financial assumptions and actuarial gains from plan assets recognised in equity in compliance with revised IAS 19.

The "Share capital" of the Parent Company as at 31 December 2019, fully subscribed and paid up, is represented by no. 41,845,000 ordinary shares of € 1 each. At the approval date of these Financial Statements, the Group owns 13,451,850 treasury shares, representing 32.15% of the share capital. During 2019, no further treasury shares were purchased.

The "Cash flow hedge reserve" shows a change due to the recognition of cash flows deriving from instruments, which, pursuant to the provisions of IAS 39, are recognised under "future cash flows hedging instruments". This reserve corresponds to the fair value of existing derivative hedging agreements, in effect at 31 December 2019. It is negative for € 1,245 thousand, up compared with the previous year, when it was negative for € 2,549 thousand. For further details concerning the change in the hedging values occurring in 2019, see note 3.11 - "Current financial liabilities".
The "Remeasurement reserve" (related to defined benefit pension plans), with a negative € 27,873 thousand, reflects the net effect on actuarial gains (losses) as of 1 January 2012 from the application of the amendment to the *IAS 19 - Employee benefits*. This item also includes the effect on equity of actuarial gains and losses accrued after 1 January 2012 and recognised in the Consolidated statement of comprehensive income. The reserve remained negative and fell by € 2.9 million from 2018, following changes in the demographic and financial assumptions (see also the note 3.4 - "Provisions for employee benefits").
The "Reserve for the adjustment to fair value of financial assets", which was positive at € 626 thousand, included the fair value measurement at 1 January 2018 recognised under equity of financial assets classified as debit instruments at fair value through income statement (FVPL).

For additional details about the changes occurring during the period in the single items of the equity, see the financial statements, in particular the "Consolidated statement of changes in equity".

RECONCILIATION WITH THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

The comparison between the equity that includes the profit (loss) of the year, resulting from the statutory financial statements of the Parent Company Ariston Thermo SpA, and the corresponding consolidated data, is the following:

RECONCILIATION STATEMENT (in thousand €)	31 dec. 2019 Equity	31 dec. 2019 Profit for the period	31 dec. 2018 Equity	31 dec. 2018 Profit for the period
Separate Financial Statements of Ariston Thermo SpA	**306,896**	**53,596**	**281,270**	**41,842**
Alignment with IAS/IFRS accounting standards of the Parent Company	18,463	787	16,227	-279
Consolidation of the subsidiaries and associates' results	154,018	30,998	126,844	33,245
Exclusion of intragroup gains (-) and losses (+) included in inventory	-8,727	-1,840	-6,804	1,548
Reversal of intragroup revaluations (-) and write-downs (+), capital gains (-) and losses (+), from consolidated subsidiaries and other adjustments	51,833	5,476	46,384	5,219
Consolidated Financial Statements of Ariston Thermo SpA	**522,483**	**89,017**	**463,920**	**81,575**

The approved and paid dividends are:

DIVIDENDS (in thousand €)	2019	2018	2017
Dividends paid during the period	28,393	28,393	28,393
Dividends proposed to the Shareholders' Meeting		28,393	28,393

NOTE: in addition, during 2019 the Group paid out € 2.4 million in dividends to non-controlling interests in the newly acquired HTP Comfort Solutions LLC

NOTES 3.2 – DEFERRED TAX LIABILITIES

Comments on "Deferred tax liabilities" are included in Note 2.4 - "Deferred tax assets and liabilities", to which reference should be made.

NOTE 3.3 – NON-CURRENT PROVISION FOR RISKS AND CHARGES

"Provisions for current and non-current risks and charges" amounted to € 75,918 thousand, up by € 7,626 thousand compared with the previous year.

The following table shows the composition of this item and the changes occurring during the year:

PROVISIONS FOR RISKS AND CHARGES (in thousand €)	**Agent supplementary indemnity provision**	**Product warranty provision**	**Allowance for installation**	**Other provisions**	**Total**
As at 31.12.2018	**2,024**	**43,109**	**5,012**	**18,148**	**68,293**
of which:					
current	**0**	**15,465**	**2,297**	**11,454**	**29,216**
non-current	**2,024**	**27,644**	**2,714**	**6,694**	**39,076**
Change in the scope of consolidation (Calorex Group)	0	3,523	0	0	3,523
Increases	483	11,297	3,423	4,070	19,273
Decreases	-100	-8,072	-2,921	-4,948	-16,041
Other	0	1,116	8	-254	870
Total changes	**384**	**7,864**	**510**	**-1,132**	**7,626**
As at 31.12.2019	**2,408**	**50,973**	**5,522**	**17,016**	**75,918**
of which:					
current	**0**	**17,008**	**2,169**	**10,309**	**29,487**
non-current	**2,408**	**33,965**	**3,352**	**6,707**	**46,432**

The "Current provision for risks and charges" amounted to € 29,487 thousand versus € 29,216 thousand as at 31 December 2018, whereas the "Non-current provision for risks and charges" amounted to € 46,432 thousand versus € 39,076 thousand in the previous year.

More specifically, the "Agent supplementary indemnity provision" recognises the accruals for covering indemnities that may be due to agents at their employment termination. The provision shows a limited increase of € 384 thousand compared to the previous year.

The "Product warranty provision", which represents estimated costs to be borne for technical support of sold products 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 saw a net € 7,864 thousand increase— primarily because of the changes occurred during the period relating to the warranty on installations as well as the inclusion of the Calorex group in the scope of consolidation.

The "First installation provision" represents the estimated expense that the Group must bear for interventions of this type on the products. They have not substantially changed compared with December 2018.

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.
The net decrease in the period was mainly due to the organisational restructuring plans. In particular, decreases for the year are to be attributed largely to expenses that accrued during the period and related mostly to provisions for organisational restructuring that were previously set up.

The item "Other" includes the effect of exchange rates for the period, releases and reclassifications.

NOTE 3.4 – PROVISIONS FOR EMPLOYEE BENEFITS

The Group has two defined benefit plans for employees; 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 reproportioned 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 reproportioning 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 the 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, and is based on the pay-as-you-go principle and is 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 both on 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) which is 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 and so on).

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 sponsor company of the employee. 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 charges;

- 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 is property occupied or used by the Group. The expected return on plan assets is defined on the basis of the current market conditions.

As from 1 January 2013, with the adoption of revised *IAS 19 - Employee benefits*, which removed the option of deferring the recognition of actuarial gains and losses using the corridor method, the Group restated the provisions for employee benefits from the end of 2012, transposing the deficits which were not recognised previously for around € 41 million.

In 2019, the remeasurement of net liabilities, emerging in the period, amounted to a negative € 3,829 thousand against the negative € 889 thousand of the previous year. This trend was affected mainly by the change in the demographic and financial assumptions used, especially at the Swiss and German subsidiaries, as shown in the description below.

The item "Foreign exchange gains (losses)" shows the differences in exchange rates due to the revaluation of the Swiss franc compared with the consolidation currency.

The following table shows the changes in the provisions for employee benefits that occurred during the period.

EMPLOYEE BENEFITS

(in thousand €)

	Switzerland		Germany		Italy		Other		Total	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Amounts recognised in the income statement										
Current service cost	-3,716	-3,732	-397	-185	0	0	-211	-234	-4,324	-4,151
Past service cost	1,131	464	0	0	0	0	0	0	1,131	464
Financial expense for obligations	-1,145	-902	-524	-538	-290	-218	-263	-143	-2,223	-1,801
Expected return on plan assets	1,140	925	0	0	0	0	92	82	1,231	1,008
Net actuarial losses for the year	0	0	-159	-38	0	0	0	0	-159	-38
Curtailment, settlement, plan amendment	0	0	0	0	0	0	0	0	0	0
Other pension cost	-238	-260	0	0	0	0	0	0	-238	-260
Net periodical cost	**-2,829**	**-3,505**	**-1,080**	**-761**	**-290**	**-218**	**-382**	**-294**	**-4,581**	**-4,778**
Group obligations										
Current value of defined benefit plans	-213,089	-189,736	-30,044	-28,094	-15,346	-15,275	-8,164	-5,601	-266,643	-238,705
Fair value of plan assets	210,068	184,195	0	49	0	0	481	591	210,549	184,835
TOTAL	**-3,021**	**-5,540**	**-30,044**	**-28,045**	**-15,346**	**-15,275**	**-7,683**	**-5,010**	**-56,094**	**-53,870**
Unrecognised plan assets	-1,507	0	0	0	0	0	0	0	-1,507	0
Unrecognised current and past service cost	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
TOTAL	**-4,528**	**-5,540**	**-30,044**	**-28,045**	**-15,346**	**-15,275**	**-7,683**	**-5,010**	**-57,601**	**-53,870**
Changes in obligations during the year										
BEGINNING OF THE PERIOD	**-189,736**	**-199,053**	**-28,094**	**-29,035**	**-15,275**	**-15,964**	**-5,601**	**-5,480**	**-238,705**	**-249,531**
Change in the scope of consolidation	0	0	0	0	-310	0	-1,976	0	-2,286	0
Current service	-3,716	-3,732	-397	-185	0	0	-211	-237	-4,324	-4,154
Past service	1,159	474	0	0	0	0	0	0	1,159	474
Financial expense	-1,145	-902	-524	-538	-290	-218	-263	-143	-2,223	-1,801
Curtailment, settlement, plan amendment	2,177	0	0	0	0	0	0	0	2,177	0
Gains (losses) resulting from experience	364	1,668	231	256	593	-112	193	-2	1,381	1,810
Actuarial gains (losses) resulting from changes in demographic assumptions	0	0	-37	-263	0	0	0	4	-37	-259
Actuarial gains (losses) resulting from changes in financial assumptions	-16,504	1,516	-2,888	-1	-801	399	-682	66	-20,875	1,981
Foreign exchange gains (losses)	-7,461	2,409	0	0	0	0	0	0	-7,461	2,409
Paid benefits	5,728	11,941	1,777	1,711	508	844	403	196	8,417	14,693
Other	-3,955	-4,058	-112	-40	228	-224	-27	-5	-3,866	-4,328
Total change	**-23,353**	**9,317**	**-1,950**	**941**	**-72**	**689**	**-2,563**	**-121**	**-27,938**	**10,826**
END OF THE PERIOD	**-213,089**	**-189,736**	**-30,044**	**-28,094**	**-15,346**	**-15,275**	**-8,164**	**-5,601**	**-266,643**	**-238,705**
Changes in assets during the year										
BEGINNING OF THE PERIOD	**184,195**	**193,731**	**49**	**49**	**0**	**0**	**514**	**688**	**184,758**	**194,468**
Expected return on plan assets	1,140	925	0	0	0	0	92	82	1,231	1,008
Company's contributions	5,063	4,834	0	0	0	0	0	0	5,063	4,834
Employees' contributions	3,957	3,769	0	0	0	0	0	0	3,957	3,769
Curtailment, settlement, plan amendment	-2,177	0	0	0	0	0	0	0	-2,177	0
Payments	-5,728	-11,941	0	0	0	0	-151	-121	-5,879	-12,062
Actuarial gains (losses) from plan assets	16,708	-6,416	0	0	0	0	3	14	16,711	-6,402
Foreign exchange gains (losses)	7,155	-2,426	0	0	0	0	0	0	7,155	-2,426
Asset ceiling	0	1,973	0	0	0	0	0	0	0	1,973
Other	-244	-253	-49	0	0	0	23	-74	-270	-327
Total change	**25,873**	**-9,535**	**-49**	**0**	**0**	**0**	**-33**	**-98**	**25,791**	**-9,634**
END OF THE PERIOD	**210,068**	**184,195**	**0**	**49**	**0**	**0**	**481**	**591**	**210,549**	**184,835**
Remeasurements of liabilities										
BEGINNING OF THE PERIOD - Other Comp. Inc. (OCI)	**-17,284**	**-16,038**	**-8,031**	**-8,024**	**-3,466**	**-3,753**	**-2,624**	**-2,702**	**-31,405**	**-30,516**
Other changes	0	0	0	0	0	0	0	0	0	0
Actuarial gains (losses) following adoption of IAS 19R	0	0	0	0	0	0	498	0	498	0
Actuarial gains (losses) resulting from changes in demographic assumptions	0	0	-37	-263	0	0	0	0	-37	-263
Actuarial gains (losses) resulting from changes in financial assumptions	-16,504	1,516	-2,888	-1	-801	399	-682	66	-20,875	1,981
Gains (losses) resulting from experience	364	1,668	231	256	593	-112	193	-2	1,381	1,810
Actuarial gains (losses) from plan assets	16,708	-6,416	0	0	0	0	3	14	16,711	-6,403
Asset ceiling	-1,507	1,986	0	0	0	0	0	0	-1,507	1,986
Total change	**-939**	**-1,246**	**-2,694**	**-8**	**-209**	**287**	**12**	**78**	**-3,829**	**-889**
END OF THE PERIOD	**-18,223**	**-17,284**	**-10,725**	**-8,031**	**-3,675**	**-3,466**	**-2,612**	**-2,624**	**-35,234**	**-31,405**
Plan assets structure										
Shares	21.0%	20.3%	0%	0%	0%	0%	0%	0%	21.0%	20.3%
Securities	62.3%	64.9%	0%	0%	0%	0%	0%	0%	62.3%	64.9%
Cash	1.4%	1.5%	0%	0%	0%	0%	0%	0%	1.4%	1.5%
Other assets	15.4%	13.3%	0%	0%	0%	0%	0%	0%	15.4%	13.3%
END OF THE PERIOD	**100%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**100%**	**100%**
Assumptions used										
Discount rate	0.20%	0.75%	1.05%	1.90%	0.67%	1.57%	0.65%	1.55%		
Inflation rate	0.75%	0.75%	1.50%	1.50%	1.00%	1.50%	1.70%	2.00%		
Future salary raises	0.75%	0.75%	1.75%	1.75%	2.00%	2.50%	2.00%	2.00%		
Future pension raises	0.00%	0.00%	1.50%	1.50%	2.25%	2.63%	1.00%	1.00%		
Sensitivity analysis										
Discount rate - % change	+ 0.10%	+ 0.10%	+ 0.5%	+ 0.5%	+ 0.5%	+ 0.5%	+ 0.25%	+ 0.25%		
Discount rate - Obligation value	-3,172	-2,691	-26,699	-25,229	-14,681	-14,347	-2,792	-2,384		

The liabilities recognised under the "Provision for employee benefits", as at 31 December 2019, stood at € 57,601 thousand, with an increase of € 3,731 thousand compared with the net liability of € 53,870 thousand as at 31 December 2018. The expanded scope of consolidation resulting from the Calorex Group acquisition had a € 2,029 thousand impact.

NOTE 3.5 – NON-CURRENT FINANCIAL LIABILITIES

As at 31 December 2019, there are no "Non-current financial liabilities".

NOTE 3.6 –NON-CURRENT LOANS

Medium/long-term "Non-current loans" amounted to € 434,396 thousand versus € 357,429 thousand as at 31 December 2018, and were as follows:

	Current 2019 < 1 year	Current 2018 < 1 year	Non current 2019 < 5 year	Non current 2019 beyond	Non current 2019 total	Non current 2018 total	Total 2019	Total 2018	Fair Value 2019
TOTAL	**22,305**	**25,481**	**423,565**	**10,831**	**434,396**	**357,429**	**456,701**	**382,911**	**456,701**

Compared to 31 December 2018, the total value of MLT loans showed an increase of € 76,967 thousand.
The changes were largely due to the management of medium/long-term loans following the acquisition of the Calorex Group with the goal of extending the average life of the Group's debt.

In accordance with the new standard IFRS 16, below are the carrying amounts of financial liabilities arising from right-of-use assets broken down by maturity at 31 December 2019:

EXPIRY DATES 2019 (in thousand €)	0-12 months	2-5 years	>5 years	TOTAL
FINANCIAL PAYABLES				
- non-current loans		36	10	**46**
- current loans	21			**21**
Total	**21**	**36**	**10**	**67**

NET FINANCIAL INDEBTEDNESS

Following are the figures of the "Net financial indebtedness" of the Group as at 31 December 2019:

NET FINANCIAL INDEBTEDNESS (in thousand €)	31 DEC. 2019	31 DEC. 2018
Cash and cash equivalents	-329,368	-313,780
Current financial liabilities	42,742	32,143
Current loans	22,305	25,481
Current net financial indebtedness	**-264,321**	**-256,157**
Non-current loans	434,396	357,429
Non-current financial liabilities	0	0
Net financial position (1)	**170,075**	**101,272**
Net financial indebtedness	**170,075**	**101,272**
in addition, for a correlation with the Group indicators:		
Non-current financial assets	-3,516	-3,538
Net Financial Position (NFP)	**166,559**	**97,734**

1) Definition pursuant to Consob Communication DEM/6064293 of 28.07.06 in application of CESR recommendations of 10.02.05.

In preparing the statement of financial indebtedness, which is a non-IFRS measure, the Group considered the provisions set out in Consob Communication DEM/6064293 of 28 July 2006, with the exception that it included non-current financial assets consisting of financial receivables.
In addition, the Group had € 48.6 million in outstanding debts associated with purchases of equity interests. Said debts were largely attributable to the options entered into as part of the acquisitions of non-controlling interests in subsidiaries.
As at 31 December 2019, the Group recorded a negative Net financial position of € 167 million compared with a negative balance of € 98 million as at 31 December 2018.
For further details on changes in the financial situation, please refer to the appropriate section of the Directors' Report on Operations.

NOTE 3.7 – OTHER NON-CURRENT LIABILITIES

"Other non-current liabilities" amounted to € 41,626 thousand versus € 63,118 thousand of the previous year. These liabilities are represented primarily by debts to be extinguished beyond the year.
The reduction in the period, amounting to € 21,492 thousand, was essentially due to the change in payables as a result of the valuation of the individual obligations connected to put and call options on the shares of minority shareholders in the recently acquired companies.

This item includes the liabilities, reassessed annually, relating to:

- the earn-out value as set forth in the agreement for the acquisition of the Danish Gastech, amounting overall to € 2,393 thousand;

- the deferred acquisition of the remaining 49% of HTP Comfort Solutions LLC, calculated overall at € 40,000 thousand, resulting from the valuation of the put and call options agreed upon at the acquisition date and subject to adjustment. The share of options to be settled in 2020 was reclassified under "Other current liabilities" (note 3.13) for € 15,652 thousand;

- the deferred acquisition of the remaining 20% of the Atmor Group, calculated overall at € 1,060 thousand, resulting from the valuation of the put and call options agreed upon at the acquisition date and subject to adjustment. The share of options to be settled in 2020 was reclassified under "Other current liabilities" (note 3.13) for € 250 thousand.

- the deferred acquisition of the remaining 15% of BCE Srl, calculated overall at € 129 thousand, resulting from the valuation of the put and call options agreed upon at the acquisition date and subject to adjustment. The share of options to be settled in 2020 was reclassified under "Other current liabilities" (note 3.13) for € 71 thousand.

The deferred acquisition of the remaining 7% of the NY Thermal Group, calculated at € 4,855 thousand, was reclassified under "Other current liabilities" (note 3.13) as they are to be settled in 2020.

As in the previous year, the item "Other non-current liabilities" includes the liabilities recognised following a long-term three-year incentive plan that will be paid to the CEO and Senior Management of the Group.

NOTE 3.8 – TRADE PAYABLES

"Trade payables" as at 31 December 2019 amounted to € 331,128 thousand showing an increase of € 33,873 thousand, compared with 31 December 2018, including € 16,784 thousand attributable to the inclusion of the Calorex group in the scope of consolidation. 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 improved in terms of the average number of days for payment which went from 90 to 93 days.

NOTE 3.9 – TAX PAYABLES

“Tax payables” totalled € 18,741 thousand and were essentially in line with € 18,166 thousand in the prior year.

TAX PAYABLES (in thousand €)	31 DEC. 2019	31 DEC. 2018
Income tax payables	6,954	11,109
Other tax payables	5,862	6,131
Tax payables due to Group companies	5,925	926
Total	**18,741**	**18,166**

This item comprises the income tax payables related to foreign companies and the IRES and IRAP tax payables from Italian companies, as well as “other tax payables” represented by withholdings for employees, tax withholdings for remunerations to third parties and other sundry tax payables.

NOTE 3.10 – PROVISIONS FOR CURRENT RISKS AND CHARGES

This item amounts to € 29,487 thousand and is described in Note 3.3 - “Non-current provision for risks and charges”, to which reference should be made.

NOTE 3.11 – CURRENT FINANCIAL LIABILITIES

As at 31 December 2019, “Current financial liabilities” amounted to € 42,742 thousand versus € 38,534 thousand as at 31 December 2018.

Liabilities are the following:

CURRENT FINANCIAL LIABILITIES (in thousand €)	31 DEC. 2019	31 DEC. 2018
Bank credit lines	36,477	30,677
Short term bank loans	3,741	3,987
Other current financial liabilities	2,523	3,869
Total	**42,742**	**38,534**

For the sake of comparison, the overall amount of "Current financial liabilities" was mainly affected by reclassification of € 6,391 thousand worth of Chinese bank notes out of "Other current liabilities".
Payables due to banks for short-term loans were essentially in line with the prior year, as foreign-currency credit lines were used to manage exchange rate risk at the consolidated level.
Short-term uncommitted credit lines amounted to approximately € 349 million and are represented almost entirely by current account credit lines and advances.
The item "Other current financial liabilities" includes the fair value measurement, as at the reporting date, of derivative instruments hedging the exchange rates for € 662 thousand and the interest rates for € 1,861 thousand.
The change in foreign exchange and interest rates hedges was offset by the change in the underlying hedged item.
The fair value measurement of the derivative instruments is directly set off in the equity reserve related to the cash flow hedge for a total of € 2,523 thousand.
For a more detailed explanation of hedging instruments, see section on the instruments for financial risk management.

NOTE 3.12 – CURRENT LOANS

The balance of "Current loans" amounted to € 22,305 thousand versus € 25,481 thousand as at 31 December 2018. 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 3.6 – "Non-current loans".

NOTE 3.13 – OTHER CURRENT LIABILITIES

"Other current liabilities" amounted to € 156,148 thousand up by € 9,828 thousand from € 146,320 thousand as at 31 December 2018.

OTHER CURRENT LIABILITIES (in thousand €)	31 DEC. 2019	31 DEC. 2018
Advances from customers	4,590	3,999
Current payables for social security contributions	14,387	14,193
Current payables due to personnel	37,976	35,476
Indirect tax payables	18,714	13,687
Other current payables	80,481	78,965
Total	**156,148**	**146,320**

The item "Advances from customers" shows all advances received from customers for supplies not yet delivered. The item "Current payables due to personnel" includes the amounts accrued by personnel and not yet disbursed. The amounts of both line items were essentially in line with 31 December 2018.

The item "Indirect tax payables" includes the VAT payables to tax authorities. The € 5,027 thousand increase was largely attributable to the expanded scope of consolidation (€ 3,073 thousand).

The item "Other current payables" includes mostly adjustments of costs and revenues for the year in order to comply with the accrual principle. In addition, the item includes the put-call amounts from the acquisition agreements which envisage a part payment in 2020, as set out under Note 3.7 - "Other non-current liabilities".

NOTE 3.14 – LIABILITIES HELD FOR SALE

There are no "Liabilities held for sale".

OTHER INFORMATION

COMMITMENTS AND RISKS

The Group reported the following potential liabilities as at the end of the reporting period:

GUARANTEES ISSUED

The sureties issued in favour of third parties amounted to € 470 thousand. Third-party assets in deposit accounts amounted to € 8,926 thousand.

COMMITMENTS

As at 31 December 2019, there were no 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".

LEGAL DISPUTES

Provisions recognised in the financial statements are deemed as fair in reference to the legal disputes that may have potential critical outcomes for the Group, also in terms of the significance of such outcomes.

PUBLIC FUNDS – INFORMATION UNDER ARTICLE 1, PARAGRAPHS 125-129 OF LAW NO. 124/2017

With respect to the disclosure requirements for government grants, included in article 1 paragraphs 125-129 of Italian Law no. 124/2017 as revised by article 35 of Italian Law Decree no. 34/2019 ("growth decree"), which introduced a series of disclosure requirements for entities that have business dealings with the Public Administration starting from the year 2018, and based on the interpretation issued by Assonime with Circular no. 5 of 22 February 2019 as well as the subsequent Note prepared jointly by Assonime and the Italian National Council of Certified Accountants (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) to clarify the changes introduced by the "growth decree", the Group believes that these provisions do not apply in cases of:

- subsidies, grants, benefits and aids, the advantages of which are available to all companies which meet particular conditions on the basis of predetermined general criteria (for example, measures envisaged by ministerial decrees aimed at specific industrial sectors and aimed at completing activities connected to research and development projects);

- general measures that can be used by all companies and which fall within the general structure of the reference system defined by the State (for example, the mechanism to facilitate the reinvestment of profits envisaged by the ACE (Aid to Economic Growth) provision);

- European/non-European public resources.

Considering the above, the Group analysed its situation and decided to set out in this paragraph the amount received during 2019 from the subjects indicated in the following table. This sets out both the amount of the benefits and a brief description of the reasons behind them.

ISSUING ENTITY	RECEIVED CONTRIB. (1) (in euro)	REASON
CUSTOMS AGENCY	373,581	Repayment of customs duties for iron and steel materials
TRENTINO SVILUPPO SPA	149,158	Burden sharing
FONDIMPRESA	194,046	Financing of training programmes
G.M.E. - GESTORE MERCATI ENERGETICI	201,870	Energy efficiency certificates
G.S.E. - GESTORE SERVIZI ENERGETICI	743,444	Renewable electricity production incentive tariff
G.S.E. - GESTORE SERVIZI ENERGETICI	38,694	Sale of electricity - dedicated withdrawal agreement
TOTAL	**1,700,793**	

(1) Amounts received or offset in 2019

For State aid and de minimis regulation aid contained in the national State Aid Registry as set out in art. 52 of Law no. 234 of 24 December 2012, reference should be made to the data published in the "Transparency" section of the registry itself.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Below are the Group's financial instruments recognised by category and level of confidence of their fair value measurements at 31 December 2019:

2019		CARRYING VALUE PER TYPE						FAIR VALUE			
(in thousand €)	Notes	Fin.Instr. at fair value through p&l	Fin. Instr. at fair value through OCI	Available for sale	Loans & receivables	Fin. Liabilities at amortised cst	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	313,346	0	313,346	0	0	0	0
Trade receivables	2.9	0	0	0	237,618	0	237,618	0	0	0	0
Current financial assets	2.11	0	608	12	15,402	0	16,022	0	608	0	608
Financial assets	2.5	0	0	0	3,371	0	3,371	0	0	0	0
Non-current financial assets	2.6	0	0	3,516	0	0	3,516	0	0	0	0
Assets held for sale	2.14	377	0	0	0	0	377	0	0	377	377
Total		**377**	**608**	**3,528**	**569,737**	**0**	**574,250**	**0**	**608**	**377**	**985**
Financial liabilities											
Trade payables	3.8	0	0	0	0	331,128	331,128	0	0	0	0
Current financial liabilities	3.11	0	2,523	0	0	40,219	42,742	0	2,523	0	2,523
Current loans	3.12	0	0	0	0	22,305	22,305	0	0	0	0
Non-current financial liabilities	3.5	0	0	0	0	0	0	0	0	0	0
Non-current loans	3.6	0	48,809	0	0	385,587	434,396	0	0	0	0
Total		**0**	**51,332**	**0**	**0**	**779,239**	**830,571**	**0**	**2,523**	**0**	**2,523**
Financial instruments balance		**377**	**-50,724**	**3,528**	**569,737**	**-779,239**	**-256,321**	**0**	**-1,915**	**377**	**-1,538**

The financial instruments of the Group, recognised in the financial statements with a similar breakdown as at 31 December 2018, are shown in the table below:

2018		CARRYING VALUE PER TYPE						FAIR VALUE			
(in thousand €)	Notes	Fin.Instr. at fair value through p&l	Fin. Instr. at fair value through OCI	Available for sale	Loans & receivables	Fin. Liabilities at amortised cst	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	309,164	0	309,164	0	0	0	0
Trade receivables	2.9	0	0	0	205,613	0	205,613	0	0	0	0
Current financial assets	2.11	0	452	19	9,327	0	9,798	0	452	0	452
Financial assets	2.5	0	0	0	2,296	0	2,296	0	0	0	
Non-current financial assets	2.6	0	0	3,538	0	0	3,538	0	0	0	0
Assets held for sale	2.14	261	0	0	0	0	261	0	0	261	261
Total		**261**	**452**	**3,557**	**526,400**	**0**	**530,670**	**0**	**452**	**261**	**713**
Financial liabilities											
Trade payables	3.8	0	0	0	0	297,255	297,255	0	0	0	0
Current financial liabilities	3.11	0	3,869	0	0	34,664	38,534	0	3,869	0	3,869
Current loans	3.12	0	0	0	0	25,481	25,481	0	0	0	0
Non-current financial liabilities	3.5	0	0	0	0	0	0	0	0	0	0
Non-current loans	3.6	0	0	0	0	357,429	357,429	0	0	0	0
Total		**0**	**3,869**	**0**	**0**	**714,829**	**718,699**	**0**	**3,869**	**0**	**3,869**
Financial instruments balance		**261**	**-3,417**	**3,557**	**526,400**	**-714,829**	**-188,029**	**0**	**-3,417**	**0**	**-3,156**

Notes:
Level 1: quoted prices in an active market for the assets or liabilities 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 at point 3.11 of these notes, "Current financial liabilities" include the fair values, at the end of the reporting period, of the derivative financial instruments used to hedge the purchase of commodities, which were positive for € 608 thousand, of those used to hedge exchange rates, negative for € 662 thousand, and of those used to hedge the interest rates, which are negative for € 1,861 thousand.
For details on these transactions, see section "Hedging instruments".

The Group is exposed to operations-related financial risks, including credit risk, liquidity risk and market risk, and constantly monitors them.

This section provides qualitative and quantitative information about the impact of these risks on the Group.

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.

RISK MANAGEMENT POLICIES

The portion of insured receivables, as at 31 December 2019, was 60.3% 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 life-time 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.

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 (see also the part on "trade receivables" in the section dedicated to accounting policies).

MAXIMUM RISK EXPOSURE

The maximum exposure to risk, net of guarantees, at 31 December 2019 was € 94,274 thousand. The slight year-on-year decline was attributable to the share of secured receivables added by the Calorex Group, which uses different hedging criteria.
The table below summarises the types of instruments protecting against credit risk used by the Group:

TYPE	31 DEC. 2019	%	31 DEC. 2018	%
Insured receivables	143.2	60.3%	129.6	62.9%
Non-insured receivables	94.3	39.7%	76.0	37.1%
Total receivables	**237.5**	**100%**	**205.6**	**100%**

PAST-DUE 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 € 22,695 thousand (versus € 20,063 thousand as at 31 December 2018) whereas the amount of receivables past-due beyond 60 days is € 23,212 thousand (versus € 19,652 thousand as at 31 December 2018).
For the purposes of representing trade receivables for issued invoices by past-due ranges, the following table is provided:

TRADE RECEIVABLES AGEING	31 DEC. 2019	%	31 DEC. 2018	%
Performing	193	81%	166	81%
Past-due 0-30	17	7%	15	7%
Past-due 31-60	5	2%	5	2%
Past-due 61-120	4	2%	5	2%
Beyond 120 and legal	19	8%	15	8%

METHOD USED TO CALCULATE THE BAD DEBT PROVISIONS

The allocation for the provision is made on the basis of both analytical and "generic" assessments, as set out below:

Specific write-down: 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.

Generic write-down: for receivables that are past-due within the year, assessments are applied based on historic analyses in relation to the ageing of past-due receivables and the level of risk of each individual country, market and type of customer.

Following is the summary of the specific and generic valuations used to determine the bad debt provision:

ANALYSIS OF BAD DEBT PROVISION (in thousand €)		31 DEC.19	31 DEC.18
Total receivables	Gross	257,522	225,293
	Provision	19,904	19,680
	Net	**237,618**	**205,613**
Receivables impaired on a specific basis	Gross	10,885	11,022
	Provision	8,952	9,344
	Net	**1,933**	**1,678**
Receivables impaired on a generic basis	Gross	246,637	214,271
	Provision	10,952	10,336
	Net	**235,685**	**203,935**

LIQUIDITY RISK

As at 31 December 2019, the Group's **Overall available liquidity**, defined as the sum of cash and cash equivalents and the unused portion of committed lines of credit only (equal to € 380 million at year-end) amounted to approximately € 690 million. With short- and long-term bank loans, totalling approximately € 1,100 million as at the same date, of which less than 40% has been used, the Group continues to carefully manage the liquidity risk.

The bank credit lines currently available to the Group, the cash and cash equivalents from operating activities, are therefore assessed as fair and such as to allow the Group to promptly and financially meet all its obligations by the due dates.

The Group manages its liquidity by using cash and cash equivalents in short-term technical forms or involving easy disposal.

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 2019

(in million €)	< 1 month	2-6months	6-12months	1-5 years	>5 years	Total
Trade payables	**110**	**216**	**3**	**2**	**0**	**331**
Financial payables						
-current financial liabilities	27	16				**43**
-current loans			59			**59**
-non-current financial liabilities						
-non-current loans				281	132	**413**
Total financial payables	**27**	**16**	**59**	**281**	**132**	**515**
Total	**137**	**232**	**62**	**283**	**132**	**846**

The details for the expiry dates of financial and trade payables as at 31 December 2018 are shown in the table below:

EXPIRY DATES 2018

(in million €)	< 1 month	2-6months	6-12months	1-5 years	>5 years	Total
Trade payables	**95**	**193**	**8**	**1**	**0**	**297**
Financial payables						
-current financial liabilities	29	3				**32**
-current loans		5	25			**30**
-non-current financial liabilities						
-non-current loans				275	96	**371**
Total financial payables	**29**	**8**	**25**	**275**	**96**	**433**
Total	**124**	**201**	**33**	**276**	**96**	**730**

MARKET RISK

The Group is exposed to several market risks 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 risk management policies applied to interest rates, exchange rates and commodities, are centrally defined in order to enable the Group to pursue and enhance profitability.

The three types of market risk can be characterised as described here below.

EXCHANGE RATE RISK

The international context where the Group operates exposes the Group to the risk that changes in the 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, rouble, renminbi, Swiss franc and some 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 forth in its 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 to recognise 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, which came into force as from 1 January 2018. In order to minimise the exposure to the transaction risk, the Group uses derivative forward instruments which allow for a protection against revaluations/write-downs at the due date of the credit and debit positions of a financial 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 the currency	Notional amount in €
CHF	**25.27**	**23.28**
GBP	**13.05**	**15.34**
HUF	**0.00**	**0.00**
CZK	**13.10**	**0.52**
CAD	**0.45**	**0.31**
CNY	**-100.5**	**-12.85**
USD	**5.7**	**5.10**
PLN	**6.0**	**1.41**

At the same date, the fair value of the foreign exchange derivatives was overall negative, standing at € 662 thousand.

Lastly, in 2013, the cross-currency swap instrument was used to fully hedge exchange rate risk on the notional payment and on the interest flow deriving from the issue of the bond in the form of a loan note (US Private Placement) for $ 50,000 thousand.
Since the transaction was "closed" and all relevant future cash flows already set in euro, the loan, although formally denominated in a foreign currency, was presented as if it was taken out directly in euro at the exchange rate of the hedging instrument. Therefore, the Group did not measure the derivative at fair value nor adjust the loan amount at the spot exchange rate at the reporting date.

In relation to exchange rate risk, the Group undertook sensitivity analysis to determine any impact on the final profit before tax from potential fluctuations in exchange rates between the euro and 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 DEC. 2019	
Foreign currency revaluation	2	2
Foreign currency devaluation	-2	-2

COMMODITY PRICE FLUCTUATION RISK

The Group has entered into derivative contracts to hedge its exposure associated with the risk of fluctuations in the price of the raw materials used by the Group.

Profit and losses 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 Thermo SpA, 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 the next years.

Thus, the Group partly hedged purchases also for the years 2019, 2020 and 2021.

The Group hedged price risk with forward and average forward financial instruments that allow it to achieve the goals set out in its risk management policy. In pursuing said goals, 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 to recognise 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, which came into force as from 1 January 2018.

When these instruments no longer qualify for hedge accounting, they are recognised as trading instruments. With respect to raw material prices at 31 December 2019, based on a sensitivity analysis, the Group estimates that a 3% change in the price of raw materials would have resulted in an approximately € 18 million fair value loss.

However, one could reasonably assume that the changes in raw material prices would have caused an equal or greater offsetting impact on the underlying hedged transactions as well as margins, leading to adjustments in market prices also at the level of the relevant competitors.

As 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 euro)
Copper	Forward	2,455	12.8
Nickel	Future Average	42	0.4
Silver	Future Average	3.3	1.5
Aluminium	Forward	400	0.6

At the same date, the fair value measurement of the derivatives on commodities showed a positive € 608 thousand and was classified under “Other current financial assets”.

Derivatives contracts entered into and closed during the year resulted in negative items amounting to approximately € 0.180 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 loans of the Group.

The amount of variable rate debt exposure of the Group, not hedged against interest rate risk, represents the main element of risk for a potentially negative impact from an increase in the market interest rates. The interest rate risk to which the Group is exposed originates primarily from the medium/long-term financial payables.

The Group's policy for managing this risk seeks to strike a balance between fixed- and variable-rate debts, considering the maturity profile and short-term market outlook—including for the purposes of curbing funding costs.

Following the mid-long term loans, the Group has, as at 31 December 2019, Interest Rate Swap (IRS) transactions with leading financial counterparties for a notional total amount of € 259 million.

As at 31 December 2019, 57% of medium/long-term gross debt, in relation to third parties, is at a fixed rate and 43% is 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 hypothesised scenario considers a generalised change in the interest rates of 50 bps and estimates the impact of such change on the income statement of the Group in the amount of € 0.6 million without material impacts on the Group's net profit and equity.

The following table shows the sensitivity analysis, as at 31 December 2019, concerning the interest rate risk:

Interest rate risk

(in million €)

	2019				2018			
	Max.	Min.	Avg.	End of period	Max.	Min.	Avg.	End of period
Interest rate	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7

HEDGING INSTRUMENTS

In summary, as at 31 December 2019, the following financial hedging instruments are in place:
- against exchange rates–Swiss franc, British pound sterling, Polish zloty, Hungarian forint, Czech koruna, Canadian dollar, US dollar and USPP bond (exchange and interest rates)
- against commodities–copper, nickel, silver and aluminium
- against interest rates–medium-long term floating rate loans

The hedging instruments applied to exchange rates were set up in order to reduce the economic and transactional risk of the Group, and they meet the formal requirements set forth in the IAS/IFRSs and are therefore recognised in hedging accounting.
The following table shows the details of hedging instruments in use as at 31 December 2019. The amounts are expressed in million euro:

HEDGING INSTRUMENTS 2019

(in million €)

	Hedged risk nature	Fair value 31.12.19	Non current financial assets	Current financial assets	Non current financial liabilities	Current financial liabilities	Total
Interest Rate Swap	Interest rates	-1.9				-1.9	-1.9
Average Forward	FX	-0.6				-0.6	-0.6
Forward	commodity			0.3			0.3
Average Forward	commodity			0.3			0.3
Total		**-2.5**		**0.6**		**-2.5**	**-1.9**

The following table shows the details of hedging instruments in use as at 31 December 2018. The amounts are expressed in million euro:

HEDGING INSTRUMENTS 2018

(in million €)

	Hedged risk nature	Fair value 31.12.18	Non current financial assets	Current financial assets	Non current financial liabilities	Current financial liabilities	Total
Interest Rate Swap	Interest rates	-1.5				-1.5	-1.5
Average Forward	FX	-0.5				-0.5	-0.5
Forward	commodity	-0.8				-0.8	-0.8
Average Forward	commodity	-0.2				-0.2	-0.2
Total		**-3.0**				**-3.0**	**-3.0**

RELATED PARTY DISCLOSURES

Based on the transactions carried out by Ariston Thermo Group during 2019, the related parties are mainly represented by:

- companies directly and/or indirectly related to the majority shareholder of Ariston Thermo SpA;

- Directors and Statutory Auditors and/or companies related to the same.

The following table shows the figures of the main transactions with related parties:

RELATED PARTY DISCLOSURES

(in thousand €)	31 DEC. 2019				31 DEC. 2018			
	Receivables	Payables	Revenue	Cost	Receivables	Payables	Revenue	Cost
Fondazione A. Merloni	6	0	5	500	6	0	5	500
Novapower Srl	8	33	8	29	0	0	0	0
Janus Immobili per l'Industria	0	0	0	984	0	0	0	974
Novapower L2 Srl	18	0	8	0	7	0	6	0
San Lorenzo Srl	8	0	8	0	7	0	6	0
EU.RO.MA. Srl	8	0	8	0	0	0	0	0
Eliosuasa Srl	8	0	8	0	7	0	6	0
Novacapital Srl	13	0	13	21	26	31	21	75
Total	**69**	**33**	**58**	**1.534**	**54**	**31**	**44**	**1.549**

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 the companies of the Group. These transactions are regulated by market conditions and based on the characteristics of the services provided. The main transactions with related parties concern Janus Immobili per l'Industria and consist of rental charges for the logistic site of Borgo Tufico (Ancona).

FEES

Fees attributable to the year and represented by the remunerations to Directors and Statutory Auditors of the Parent Company, as at 31 December 2019, are summarised as follows:

FEES (in thousand €)

OFFICE	PERIOD	TERM OF OFFICE	FEES FOR THE OFFICE HELD (1)	OTHER FEES (2)
Directors	2018-19-20	Fin. Stat. approval 2020	1,667	1,095
Statutory auditors	2018-19-20	Fin. Stat. approval 2020	99	
Total			**1,766**	**1,095**

(1) Fixed remuneration pursuant to art. 2389, 3rd paragraph, civil code and/or attendance bonus, including reimbursements, variable remuneration and further contributions.
(2) Gross remuneration to employees.

In addition, the Chairman, the Chief Executive Officer and a group of senior managers are the beneficiaries of an incentive system based on the allocation of phantom options, which envisages a cash payment within the time frames set forth for exercise of the options (in the month following approval of the financial statements, from May 2019 to May 2022 for the incentive plan for 2016, from May 2020 to May 2023 for the incentive plan for 2017, from May 2021 to May 2024 for the incentive plan for 2018, and from May 2022 to May 2025 for the incentive plan for 2019), according to the "creation of value" realised by the Group at the end of a three-year period from the assignment. The payment of this bonus is subject to the continuation of the professional relationship with the Group.

The entire charge of each phantom option plan has been recognised in the period based on the reasonable expectation that this plan will be annually replicated in the foreseeable future thus generating a recurrent cost. The amount of the charge has been estimated by assuming the achievement of the objectives for the optimisation of the company that are implicit in the medium-term plan that the company updates each year.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Significant events occurring after the reporting period, if any, are detailed in the "Directors' Report on Operations" attached to the financial statements.

LIST OF COMPANIES AS AT 31 DECEMBER 2019

n°	Company	Registered office	Curr.	Share capital	Group's controlling interest	Investing Companies	Direct controlling Interest	Subsidiaries' controlling Interest	Minority interest
1	Ariston Thermo SpA	Italy	EUR	41,845,000	parent comp.				
2	Ariston Thermo Argentina Srl	Argentina	ARS	16,705,269	100.00	Ariston Thermo International Srl Thermowatt SpA		99.63 0.37	
3	Ariston Thermo Benelux sa	Belgium	EUR	176,000,000	100.00	Ariston Thermo SpA Ariston Thermo International Srl	70.01	 29.99	
4	Ariston Thermo Canada Ltd	Canada	CAD	34,700,100	100.00	Ariston Thermo International Srl		100.00	
5	Ariston Thermo (China) Co., Ltd	China	CNY	145,885,010	100.00	Ariston Thermo International Srl		100.00	
6	Ariston Thermo Croatia Ltd	Croatia	HRK	800,000	100.00	Ariston Thermo International Srl		100.00	
7	Ariston Thermo CZ sro	Czech Republic	CZK	30,000,000	100.00	Ariston Thermo International Srl		100.00	
8	Ariston Thermo Deutschland GmbH	Germany	EUR	255,700	100.00	Elco International GmbH		100.00	
9	Ariston Thermo Egypt LLC	Egypt	EGP	10,900,000	100.00	Ariston Thermo International Srl Ariston Thermo SpA	 0.01	99.99	
10	Ariston Thermo Espana sl Sociedad Unipersonal	Spain	EUR	800,000	100.00	Ariston Thermo SpA	100.00		
11	Ariston Thermo Gulf Water Heating LLC	UAE	AED	400,000	100.00	Ariston Thermo International Srl Third parties		49.00	 51.00
12	Ariston Thermo Heating Tech.Nigeria Ltd	Nigeria	NGN	10,000,000	100.00	Ariston Thermo International Srl		100.00	
13	Ariston Thermo Hungária kft	Hungary	HUF	131,000,000	100.00	Ariston Thermo International Srl		100.00	
14	Ariston Thermo India Private Ltd	India	INR	100,000,000	100.00	Ariston Thermo SpA Ariston Thermo International Srl	23.00	 77.00	
15	Ariston Thermo Industrial Vietnam Ltd	Vietnam	VND	41,600,000,000	100.00	Ariston Thermo International Srl		100.00	
16	Ariston Thermo Innovative Technologies Srl	Italy	EUR	2,000,000	100.00	Ariston Thermo SpA	100.00		
17	Ariston Thermo International Srl	Italy	EUR	27,000,000	100.00	Ariston Thermo SpA	100.00		
18	Ariston Thermo Isitma ve Sogutma Sistemleri Ithalat, Ihracat ve Dagitim Ltd. Sti.	Turkey	TRY	66,157,500	100.00	Ariston Thermo International Srl Ariston Thermo SpA	 0.39	99.61	
19	Ariston Thermo Kazakhstan LLP	Kazakhstan	KZT	212,100	100.00	Ariston Thermo International Srl		100.00	
20	Ariston Thermo Maroc sa	Morocco	MAD	3,000,000	100.00	Ariston Thermo International Srl		100.00	
21	Ariston Thermo MEA SPC	Bahrain	USD	2,526,596	100.00	Elcotherm AG		100.00	
22	Ariston Thermo Mexico sa de C.V	Mexico	MXN	1,100,000,000	100.00	Elcotherm AG Ariston Thermo USA LLC		99.99 0.01	
23	Ariston Thermo Parts & Services sa	Switzerland	EUR	940,551	100.00	Elcotherm AG		100.00	
24	Ariston Thermo Polska Sp. z o.o.	Poland	PLN	12,000,000	100.00	Ariston Thermo International Srl		100.00	
25	Ariston Thermo Pte Ltd	Singapore	SGD	100,000	100.00	Ariston Thermo International Srl		100.00	
26	Ariston Thermo Romania Srl	Romania	RON	29,041,740	100.00	Ariston Thermo International Srl		100.00	
27	Ariston Thermo Rus LLC	Russia	RUB	1,403,787,727	100.00	Ariston Thermo International Srl		100.00	
28	Ariston Thermo South Africa (Pty) Ltd	South Africa	ZAR	100	100.00	Ariston Thermo International srl		100.00	
29	Ariston Thermo Tunisie sa	Tunisia	EUR	500,000	100.00	Elcotherm AG Third parties		66.70	 33.30
30	Ariston Thermo UK Ltd	UK	GBP	7,500,000	100.00	Ariston Thermo SpA	100.00		
31	Ariston Thermo Ukraine LLC	Ukraine	UAH	38,705,753	100.00	Ariston Thermo International Srl		100.00	
32	Ariston Thermo USA LLC	USA	USD	46,500,100	100.00	Elcotherm AG		100.00	
33	Ariston Thermo Vietnam Ltd	Vietnam	VND	31,471,000,000	100.00	Ariston Thermo International Srl		100.00	
34	Atag Construction B.V.	Netherlands	EUR	1	100.00	Atag Verwarming Nederland B.V.		100.00	
35	Atag Electronics B.V.	Netherlands	EUR	1	100.00	Atag Verwarming Nederland B.V.		100.00	
36	Atag Engineering B.V.	Netherlands	EUR	1	100.00	Atag Verwarming Nederland B.V.		100.00	
37	Atag Heating B.V.	Netherlands	EUR	10,000	100.00	Ariston Thermo Benelux sa		100.00	
38	Atag Heizungstechnil GmbH	Germany	EUR	512,000	100.00	Atag Heating B.V.		100.00	
39	Atag Verwarming Belgie BVBA	Belgium	EUR	18,600	100.00	Atag Heating B.V.		100.00	
40	Atag Verwarming Nederland B.V.	Netherlands	EUR	18,000	100.00	Atag Heating B.V.		100.00	
41	ATM1 HR sa de C.V.	Mexico	MXN	50,000	100.00	Ariston Thermo USA LLC Ariston Thermo Canada Ltd		99.99 0.01	
42	ATM2 HR sa de C.V.	Mexico	MXN	50,000	100.00	Ariston Thermo USA LLC Ariston Thermo Canada Ltd		99.99 0.01	
43	Atmor (Dongguan) El. Technology Co. Ltd	China	USD	1.000,000	100.00	Atmor Electronic Technology Co. Ltd		100.00	

n°	Company	Registered office	Curr.	Share capital	Group's controlling interest	Investing Companies	Direct controlling Interest	Subsidiaries' controlling Interest	Minority interest
44	Atmor Electronic Technology Co. Ltd	Hong Kong	HKD	10,000	100.00	Atmor Industries LTD		100.00	
45	Atmor Industries LTD	Israel	USD	1,790,409	100.00	Elcotherm AG Third parties		80.00	 20.00
46	BCE Srl	Italy	EUR	10,400	100.00	Elcotherm Bruciatori SpA Third parties		85.00	 15.00
47	Calentadores de America sa de C.V.	Mexico	MXN	1,226,643,637	100.00	Ariston Thermo Mexico sa de C.V Ariston Thermo USA LLC		99.99 0.01	
48	Chaffoteaux sas	France	EUR	54,682,110	100.00	Ariston Thermo SpA Elco International GmbH	99.99	 0.01	
49	Cuenod sas	France	EUR	15,422,390	100.00	STV France sas		100.00	
50	DHE Srl	Italy	EUR	100,000	100.00	Thermowatt SpA		100.00	
51	Domotec AG	Switzerland	CHF	50,000	100.00	Elcotherm AG		100.00	
52	Ecoflam Bruciatori SpA	Italy	EUR	3,690,000	100.00	Ariston Thermo SpA	100.00		
53	Elco Austria GmbH	Austria	EUR	35,000	100.00	Elcotherm AG		100.00	
54	Elco B.V.	Netherlands	EUR	2,046,004	100.00	Elco Burners B.V.		100.00	
55	Elco Belgium nv/sa	Belgium	EUR	3,000,000	100.00	Ariston Thermo Benelux sa Elco B.V.		99.99 0.01	
56	Elco Burners B.V.	Netherlands	EUR	22,734	100.00	Ariston Thermo Benelux sa		100.00	
57	Elco Burners GmbH	Germany	EUR	25,000	100.00	Elco International GmbH		100.00	
58	Elco GmbH	Germany	EUR	50,000	100.00	Elco International GmbH		100.00	
59	Elco Heating Solutions Limited	UK	GBP	3,001,750	100.00	Ariston Thermo UK Ltd		100.00	
60	Elco International GmbH	Germany	EUR	8,691,962	100.00	Ariston Thermo SpA	100.00		
61	Elco Italia SpA	Italy	EUR	3,500,000	100.00	Ariston Thermo SpA	100.00		
62	Elcotherm AG	Switzerland	CHF	1,000,000	100.00	Ariston Thermo SpA	100.00		
63	Fluida sa de C.V.	Mexico	MXN	302,188,920	100.00	Calentadores de America sa de C.V. Ariston Thermo USA LLC		99.99 0.01	
64	Gastech-Energi A/S	Denmark	DKK	7,554,935	100.00	Ariston Thermo SpA	100.00		
65	HTP Comfort Solutions LLC	USA	USD	4,319,871	100.00	Ariston Thermo USA LLC Third parties		51.00	 49.00
66	Marchi e Brevetti Srl	Italy	EUR	10,000	100.00	Ariston Thermo SpA	100.00		
67	NTI-Boilers Inc	Canada	CAD	28,210	100.00	NTI Holdings Ltd		100.00	
68	NTI-Holdings Ltd	Canada	CAD	13,058,901	100.00	Ariston Thermo Canada Ltd Third parties		93.00	 7.00
69	NTI-Industrial Inc	Canada	CAD	100	100.00	NTI Holdings Ltd		100.00	
70	NTI-USA Inc.	USA	USD	100	100.00	NY Boilers Inc.		100.00	
71	PT Ariston Thermo Indonesia	Indonesia	IDR	16,260,750,000	100.00	Ariston Thermo International Srl Ariston Thermo SpA	 40.00	60.00	
72	Racold Thermo Private Ltd	India	INR	262,134,750	100.00	Ariston Thermo International Srl Ariston Thermo SpA	 22.51	77.49	
73	S.H.E. d.o.o. Svilajnac	Serbia	RSD	35,432,220	100.00	Thermowatt Spa		100.00	
74	SPM Innovation sas	France	EUR	750,000	100.00	SPM sas		100.00	
75	SPM sas	France	EUR	420,014	100.00	Ariston Thermo SpA	100.00		
76	STV France sas	France	EUR	9,730,123	100.00	Chaffoteaux sas		100.00	
77	Thermowatt (Wuxi) Electric Co., Ltd	China	CNY	82,769,200	100.00	Ariston Thermo (China) Co., Ltd Ariston Thermo International Srl		70.00 30.00	
78	Thermowatt SpA	Italy	EUR	7,700,000	100.00	Ariston Thermo SpA	100.00		
79	Water Heating Technologies Corporation	USA	USD	605,000	100.00	Ariston Thermo USA LLC		100.00	

The participation shares in this table are the ones relevant for determining the Consolidated financial statements. The companies acquired with the put/call contracts to be exercised on the remaining shares of the share capital were fully consolidated, together with the acquisition agreement based on the provisions set forth in IFRS 3 (see the specific treatment of the individual put/call options in the notes). The statutory ones can be found in the table at the end of the Notes to the Consolidated financial statements.

LIST OF COMPANIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

n°	Company	Registered office	Curr.	Share capital	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	51.00	Ariston Thermo International Srl		51.00	49.00

EY
Building a better working world

Ariston Thermo Group

Consolidated financial statements as at 31 December 2019

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

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Building a better working world

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the sole shareholders of
Ariston Thermo S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ariston Thermo Group (the Group), which comprise the statement of financial position as at 31 December 2019, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.
We are independent of Ariston Thermo S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Ariston Thermo S.p.A. or to cease operations, or have no realistic alternative but to do so.

EY S.p.A.
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The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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;
- we have obtained 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 Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a 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 consider this matter in forming 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 the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

EY
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Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Ariston Thermo S.p.A. are responsible for the preparation of the Directors' Report on Operations of Group Ariston Thermo as at 31 December 2019, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Directors' Report on Operations, with the consolidated financial statements of Ariston Thermo Group as at 31 December 2019 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Directors' Report on Operations is consistent with the consolidated financial statements of Ariston Thermo Group as at 31 December 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Ancona, 3 April 2020

EY S.p.A.
Signed by: Gianluca Focaccia, Auditor

This report has been translated into the English language solely for the convenience of international readers.

Note: The Directors' Report on Operations of Group Ariston Thermo as at 31 December 2019 is not included in the Prospectus.

CONSOLIDATED FINANCIAL STATEMENTS COMPLIANT WITH IAS/IFRS INTERNATIONAL STANDARDS

2018

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018 (in thousand €)

	notes	31 DEC. 18		31 DEC. 17	
REVENUE					
Revenue	1.1	1,612,134	100.0%	1,569,739	100.0%
Other revenues and income	1.1	36,162	2.2%	29,600	1.9%
Total revenue	**1.1**	**1,648,296**	**102.2%**	**1,599,339**	**101.9%**
OPERATING EXPENSES					
Change in inventories	1.2	-24,800	-1.5%	-41,093	-2.6%
Raw materials, consumables and goods for resale	1.2	724,970	45.0%	701,436	44.7%
Services	1.3	332,287	20.6%	341,109	21.7%
Personnel	1.4	371,407	23.0%	370,638	23.6%
Amortisation	2.1/2.2	67,835	4.2%	44,099	2.8%
Provisions and write-downs	1.5	23,281	1.4%	22,247	1.4%
Other operating expenses	1.6	26,553	1.6%	27,503	1.8%
Total operating expenses		**1,521,531**	**94.4%**	**1,465,939**	**93.4%**
OPERATING PROFIT		**126,765**	**7.9%**	**133,400**	**8.5%**
FINANCIAL INCOME AND EXPENSE					
F inancial Income	1.7	2,672	0.2%	2,554	0.2%
Financial Expense	1.8	-18,201	-1.1%	-18,336	-1.2%
Exchange rate gains/losses	1.9	-5,200	-0.3%	-8,756	-0.6%
Total financial Income and Expense		**-20,728**	**-1.3%**	**-24,538**	**-1.6%**
PROFIT (LOSS) ON INVESTMENTS		0	0.0%		
Valuation according to the equity method		0	0.0%	0	0.0%
Other profit (loss) on investments	1.10	4,540	0.3%	139	0.0%
Total profit (loss) on investments	1.10	**4,540**	**0.3%**	**139**	**0.0%**
PROFIT BEFORE TAX		**110,577**	**6.9%**	**109,002**	**6.9%**
TAXES	1.11	**29,002**	**1.8%**	**26,412**	**1.7%**
			26.2%		24.2%
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**81,575**	**5.1%**	**82,589**	**5.3%**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	1.12	0	0.0%	0	0.0%
NET PROFIT/LOSS FOR THE PERIOD		**81,575**	**5.1%**	**82,589**	**5.3%**
Net profit/loss for the period attributable to non-controlling Interests	3.1	**0**	**0.0%**		**0.0%**
Net profit/loss for the period attributable to equity holders of the Parent	3.1	**81,575**	**5.1%**	**82,589**	**5.3%**
Basic earnings per outstanding share		**2.87**		**2.91**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2018 (in thousand €)

	notes	31 DEC. 18	31 DEC. 17
NET PROFIT/LOSS FOR THE PERIOD	**3.1**	**81,575**	**82,589**
Items that will not be reclassified to the income statement			
Actuarial gains (losses) (*)	3.1	-1,311	3,524
Sub-total of items that will not be reclassified to the income statement		**-1,311**	**3,524**
Items that may be reclassified to the income statement			
Gains (losses) from the translation of financial statements and indexation Argentina	3.1	-8,443	-18,571
Net gains (losses) under cash flow hedge reserve (*)	3.1	-3,830	-281
Sub-total of Items that may be reclassified to the income statement		**-12,273**	**-18,852**
Total other gains (losses) net of taxes		-13,584	-15,328
TOTAL PROFIT/LOSS FOR THE PERIOD		**67,991**	**67,261**
Attributable to:			
- Equity holders of the Parent		67,991	67,261
- Non-controlling Interests		0	0

(*) Tax effect included

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (in thousand €)

Assets	notes	31 DEC. 18	31 DEC. 17
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	2.1	252,587	248,567
Other intangible assets	2.1	84,533	79,944
Total intangible assets	**2.1**	**337,121**	**328,511**
Property, plant and equipment			
Land and buildings	2.2	151,783	109,714
Plant and machinery	2.2	92,202	88,232
Other property, plant and equipment	2.2	94,152	65,440
Total property, plant and equipment	**2.2**	**338,138**	**263,385**
Investments in associates	2.3	0	0
Deferred tax assets	2.4	60,965	43,362
Financial assets	2.5	2,296	1,292
Non-current financial assets	2.6	3,538	0
Other non-current assets	2.7	5,519	5,156
Total non-current assets		**747,577**	**641,706**
CURRENT ASSETS			
Inventories	2.8	268,553	248,492
Trade receivables	2.9	205,613	213,025
Tax receivables	2.10	10,550	7,457
Current financial assets	2.11	4,616	11,146
Other current assets	2.12	35,190	44,175
Cash and cash equivalents	2.13	309,164	316,228
Total current assets		**833,686**	**840,523**
ASSETS HELD FOR SALE	**2.14**	**261**	**305**
TOTAL ASSETS		**1,581,523**	**1,482,534**

LIABILITIES AND EQUITY (in thousand €)

	notes	31 DEC. 18	31 DEC. 17
EQUITY			
Share capital	3.1	41,845	41,845
Share premium reserve	3.1	24,008	24,008
Retained earnings and other reserves	3.1	316,492	278,708
Profit/loss for the period attributable to equity holders of the Parent	3.1	81,575	82,589
Total equity attributable to equity holders of the Parent	**3.1**	**463,920**	**427,151**
Non-controlling interests and reserves	3.1	0	0
Profit/loss for the period attributable to non-controlling interests	3.1	0	0
Total equity attributable to non-controlling interests	**3.1**	**0**	**0**
Total equity	**3.1**	**463,920**	**427,151**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	3.2	49,139	32,502
Non-current provisions for risks and charges	3.3	39,076	41,408
Provisions for employee benefits	3.4	53,870	55,063
Non-current financial liabilities	3.5	0	0
Non-current loans	3.6	357,429	315,376
Other non-current liabilities	3.7	63,118	81,261
Total non-current liabilities		**562,632**	**525,609**
CURRENT LIABILITIES			
Trade payables	3.8	297,255	326,822
Tax payables	3.9	18,166	12,584
Current provisions for risks and charges	3.10	29,216	28,624
Current financial liabilities	3.11	32,143	15,678
Current loans	3.12	25,481	5,883
Other current liabilities	3.13	152,711	140,183
Total current liabilities		**554,971**	**529,774**
LIABILITIES HELD FOR SALE	**3.14**	**0**	**0**
TOTAL LIABILITIES AND EQUITY		**1,581,523**	**1,482,534**

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2018 (in thousand €)

			notes	31 DEC. 18	31 DEC. 17
CHANGES IN SHORTTERM FINANCIAL POSITION					
- SHORT-TERM FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD				**310,555**	**360,368**
		Effect of finance lease liabilities pursuant to IFRS16		0	
		Effect of changes in exchange rates		-801	-11,103
		Changes in short-term financial position		-17,193	-38,710
- SHORT-TERM FINANCIAL POSITION AT THE END OF THE PERIOD				**292,561**	**310,555**
		of which:			
		* cash and cash equivalents	2.12	309,164	316,228
		* short-term payables to banks		-16,603	-5,673
STATEMENT OF CASH FLOWS					
CASH FLOW FROM OPERATING ACTIVITIESA					
	>	NET PROFIT/LOSS FOR THE PERIOD	3.1	81,575	82,589
		Adjustments for:			
	-	Taxes	1.11	29,002	26,412
	-	Income and expense from financing and investment activities	1.8/1.9/1.10	16,188	24,399
1	**-**	**OPERATING PROFIT**		**126,765**	**133,400**
2	-	Amortisation	2.1/2.2	67,835	44,099
		of which: Amortisation for right-of-use fixed assets		21,228	
3	-	Provisions	1.5	23,281	22,247
4	-	Other adjustments		1,414	854
5	**=**	**GROSS OPERATING CASH FLOW** (+1+2+3+4)		**219,295**	**200,601**
6	-	Change in trade receivables	2.8	2,974	-21,529
7	-	Change in inventories	2.7	-22,373	-24,750
8	-	Change in trade payables	3.8	-24,314	40,951
9	-	Change in other short-term assets/liabilities		-2,185	-4,734
10	-	Change in provisions		-22,773	-32,450
11	-	Tax paid		-25,796	-50,842
		Total		**-94,467**	**-93,354**
12	**=**	**NET OPERATING CASH FLOW** (+5+6+7+8+9+10+11)		**124,828**	**107,247**
CASH FLOW FROM INVESTMENT ACTIVITIES					
13	-	Investments in intangible assets	2.1	-16,306	-15,841
14	-	Investments in property, plant and equipment	2.2	-68,051	-41,530
		of which: Investiments in right-of-use assets		-22,679	
15	-	Investments in financial assets		-16,050	-39,353
16	-	Change in the scope of consolidation		256	-2,133
17	-	Value of tangible and intangible assets sold	2.1/2.2	1,637	1,913
18	**=**	**CASH FLOW FROM INVESTMENT ACTIVITIES** (+13+14+15+16+17)		**-98,514**	**-96,944**
CASH FLOW FROM FINANCING ACTIVITIES					
19	-	Financial income/expense collected/paid		-4,925	-9,064
		of which: Financial expense pursuant to IFRS16		-1,631	
20	-	Income/expense on exchange rate	1.9	-9,136	-5,336
21	-	Increase/decrease in short-term financial payables	3.6/3.11	2,246	636
		of which: Financial payables pursuant to IFRS16		-647	
22	-	New loans	3.6/3.11	25,601	79,915
		of which: Financial payables pursuant to IFRS16		25,596	
23	-	Loans repayment	3.6/3.11	-28,901	-90,319
		of which: Financial payables pursuant to IFRS16		-23,176	
24	-	Dividends	3.1	-28,393	-28,393
25	-	Capital and reserves increase/distribution		0	0
26	-	Other changes in equity		0	3,547
27	-	Buyback/sale of treasury shares	3.1	0	0
28	**=**	**CASH FLOW FROM FINANCING ACTIVITIES** (+19 / +27)		**-43,507**	**-49,013**
29	**=**	**CASH FLOW FROM CONTINUING OPERATIONS** (+12+18+28)		**-17,193**	**-38,710**
30	**=**	**CASH FLOW FROM DISCONTINUED OPERATIONS**		**0**	**0**
31	**=**	**TOTAL CASH FLOW** (+29+30)		**-17,193**	**-38,710**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018 (in thousand €)

CHANGES IN EQUITY (in thousand €)	Notes	Share capital	Treasury shares	Share premium reserve	Legal reserve	Reserve for gains/ losses in equity	Actuarial gains (losses)	Retained earnings (losses) and other reserves	Profit/ Loss for the year	Total attribu-table to the Group	Total attribu-table to non control-ling interests	Total net equity
Balance as at 31 Dec. 2016	**3.1**	**41,845**	**-13,452**	**-82,289**	**8,369**	**1,563**	**-27,933**	**379,313**	**83,162**	**390,578**	**0**	**390,578**
Consolidated profit allocation								83,162	-83,162	0	0	0
Payment of dividends								-28,393		-28,393	0	-28,393
Other changes								-2,295		-2,295	0	-2,295
Comprehensive income (loss)						-281	3,524	-18,571	82,589	67,261	0	67,261
Balance as at 31 Dec. 2017	**3.1**	**41,845**	**-13,452**	**-82,289**	**8,369**	**1,282**	**-24,409**	**413,216**	**82,589**	**427,151**	**0**	**427,151**
Consolidated profit allocation								82,589	-82,589	0	0	0
Payment of dividends	3.1							-28,393		-28,393	0	-28,393
Other changes								-2,829		-2,829	0	-2,829
Comprehensive income (loss)						-3,830	-1,311	-8,443	81,575	67,991	0	67,991
Balance as at 31 Dec. 2018	**3.1**	**41,845**	**-13,452**	**-82,289**	**8,369**	**-2,548**	**-25,720**	**456,140**	**81,575**	**463,920**	**0**	**463,920**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2018

INTRODUCTION

Ariston Thermo SpA (hereafter also the "Parent Company") is a public limited company incorporated in Italy and enrolled in the Register of Companies of Ancona (no. 104629 R.E.A. of Ancona, Tax Code: 01026940427), with registered office in V.le A. Merloni, 45 - 60044 Fabriano (Ancona) – Italy.

The Parent Company and its subsidiaries (hereinafter the "subsidiaries" and jointly with the Parent Company: the "Group") are primarily active in the business of the production and distribution of solutions for space heating and water heating.

Following are the main accounting standards and assessment criteria applied to the preparation of the consolidated financial statements. The standards adopted are compliant with those applied to the preparation of the comparative statements of equity and financial position, with the exception of the international accounting standards which came into force as from 1 January 2018, set out in the section "Accounting standards, amendments and interpretations applied as from 1 January 2018" of this report. Of particular importance for the purposes of these financial statements are *IFRS 16 - Leases* (hereafter IFRS 16), *IFRS 15 - Revenue from contracts with customers*, and the related clarifications set out in "Clarifications to *IFRS 15 - Revenue from contracts with customers*", (hereafter IFRS 15), *IFRS 9 - Financial instruments* (hereafter IFRS 9) and, following the inclusion of Argentina among the countries operating under hyperinflation, it was arranged to apply *IAS 29 – Financial reporting in hyperinflationary economies* as from 1 January 2018. For further details reference should be made to the section "Hyperinflation in Argentina" in the paragraph "Consolidation and translation principles" of this note to the financial statements at 31 December 2018.

The consolidated financial statements comprise the following: Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity (in thousand euro) and these Notes to the Financial Statements.

It should also be noted that the model adopted for the Statement of Financial Position contains a "current/non-current item" breakdown, whereas the model adopted for the Income Statement classifies costs "by type".

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 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.

The consolidated financial statements as at 31 December 2018 have been approved by the Board of Directors on 28 March 2019 and audited, they will be submitted to the shareholders' meeting.

INTERNATIONAL ACCOUNTING STANDARDS

COMPLIANCE WITH IFRS – ACCOUNTING STANDARDS

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")*.
Following the entry into force of European Regulation no. 1606, dated July 2002, Ariston Thermo Group used the option set forth in Legislative Decree no. 38 of 28 February 2005 and adopted the International Accounting Standards issued by the International Accounting Standard Board (IASB) and approved by the EU for the preparation of the consolidated financial statements starting from 1 January 2005.
The Parent Company prepares the financial statements in compliance with the "accounting standards" under art. 2423 bis, with the "assessment criteria" under art. 2426 and with the provisions under art. 2424 et seq. of the Italian Civil Code, supplemented, where applicable, by the accounting standards set forth by the Italian National Council of Certified Accountants (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti contabili*) and reviewed by the Italian Accounting Standard Setter (*Organismo Italiano di Contabilità*).

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS FROM 1 JANUARY 2018

The amendments to the international accounting standards, which must be implemented as from 1 January 2018, are set out below.

IFRS 15 – Revenue from Contracts with Customers
(published on 28 May 2014 and supplemented with further clarifications published on 12 April 2016) which will replace the standards *IAS 18 – Revenue and IAS 11 – Construction contracts*, as well as the interpretations *IFRIC 13 – Customer loyalty programmes*, *IFRIC 15 – Agreements for the construction of real estate*, *IFRIC 18 – Transfers of assets from customers* and *SIC 31 – Revenues-barter transactions Involving Advertising Services*. The provisions of IFRS 15 provide the criteria for recording and measuring revenue from contracts with customers, envisaging that the recognition of revenue is based on the following 5 stages:
1. identification of the contract with the customer;
2. identification of the performance obligations represented by contractual promises to transfer goods and/or services to a customer;
3. determination of the transaction price;
4. allocation of the transaction price to the performance obligations identified on the basis of the standalone sale price of each good or service;
5. recognition of the revenue when the related performance obligation is satisfied, i.e. upon transfer of the good or service promised to the customer. The transfer is considered completed when the customer obtains control of the good or service, which can happen either over time or at a point in time.

In applying the aforementioned model, Ariston Thermo 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 affected by the new provisions of IFRS 15 refer mainly to the following revenue streams (standard categories for contractual terms and conditions with customers, which describe the nature, amount, timing and cash flows):

REVENUE STREAM	REVENUE STREAM DESCRIPTION	% REVENUES 2018
ITS-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 characterised by the sale of finished products.	70%
DIY (DO IT YOURSELF)	Customers are large retailers (Euronics, Brico, LeRoy Merlin, Modern Trade...). The main performance obligation is characterised 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.	5%
BUSINESS-TO-BUSINESS (B2B)	The main performance obligation is characterised by the sale of components, burners and heating only for specific projects: e.g., for institutions (schools, hospitals, etc.)	10%
SERVICE	**Indirect service**: maintenance and repair services offered through Techical Support to the end customer. **Direct service** (Elco countries): maintenance and repair services offered directly to the end customer.	15%
TOTAL		100%

As regards the adoption of IFRS 15, Ariston Thermo Group chose, as provided by the transitional provisions of the accounting standard, to recognise the effect related to the retroactive restatement of the values in shareholders' equity at 1 January 2018, regarding the situations existing at this date, without restating the previous comparative period, i.e. the so-called modified retrospective approach. IFRS 15 meant for the Group the adoption of a different accounting treatment for "early payment discounts" and "charges for commercial services received from customers". The need emerged to show the two aforementioned items directly against revenue, rather than consider "early payment discounts" in the financial component and "charges for commercial services received from customers" under costs for services.

This treatment meant, at 31 December 2018, a reduction in turnover of € 11 million and a corresponding negative impact on EBIT and EBITDA for € 7.5 million and a positive impact on financial expense of € 7.9 million. During 2018, no substantial impacts emerged on EBT, net result and shareholders' equity.

IFRS 9 – Financial Instruments (published on 24 July 2014). The provisions of IFRS 9 in relation to the classification and measurement of financial assets envisage the following categories:

1. financial assets valued at amortised cost;
2. financial assets valued at fair value with related effects recognised under "Other Comprehensive Income" (hereafter also OCI);
3. financial assets valued at fair value with related effects recognised in the income statement.

The classification of a financial asset which is a debt instrument depends on the characteristics of the cash flows deriving from the financial asset and from the business model adopted. In particular, financial assets generating contractual cash flows, which solely represent principal and interest payments, are valued at amortised cost, if they are held to collect the contractual cash flows (the so-called hold to collect business model); otherwise, they are valued at fair value with related effects recognised under OCI (hereafter also FVTOCI, Fair Value Through the statement of Other Comprehensive Income), if the business model envisages the possibility of selling before the expiry of the financial instrument (the so-called hold to collect and sell business model).

A financial asset, which is a debt instrument and which is not valued at amortised cost or at FVTOCI, is valued at fair value with related effects recognised in the income statement (hereafter FVTPL, Fair Value Through the Statement of Profit or Loss); this category includes financial assets held for trading.

Financial assets, which are minority shareholdings, since they are not held for trading, are valued at fair value with related effects recognised under shareholders' equity (FVTOCI) without impacting the income statement should the sale be realised; otherwise, the dividends from these shareholdings are taken to the income statement.

The valuation at cost of a minority shareholding is allowed in the limited cases where the cost represents an adequate estimate of the fair value.

Embedded derivatives, which are incorporated within financial assets, are no longer subject to separate accounting; in these situations, the whole hybrid instrument is classified on the basis of the general criteria for classifying financial instruments. Embedded derivatives incorporated within financial liabilities and/or non-financial assets are separated out if:

• the economic characteristics and the risks of the embedded derivative are not strictly linked to the economic characteristics and the risks of the main contract;
• a separate instrument with the same characteristics as the embedded derivative meets the definition of derivative;
• the hybrid instrument in its entirety is not valued at FVTPL.

Ariston Thermo's policy 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.

The provisions of IFRS 9 require the application of the expected credit loss model to assess the recoverability of the financial assets on the basis of a predictive approach; in particular, with reference to trade receivables and other receivables, the expected losses were generally determined using the simplified approach based on the product of:

• the exposure due from the counterparty net of the related mitigants (so-called Exposure At Default, EAD);
• the probability that the counterparty may not comply with their payment obligation (so-called Probability of Default, PD);
• the estimate, in percentage terms, of the quantity of credit that cannot be recovered in the case of default (so-called Loss Given Default, LGD), on the basis of past experience and possible available recovery actions (e.g. out-of-court actions, legal disputes, etc.). In this regard, in order to determine the probability of default by counterparties, the internal ratings were adopted that were previously used for the purposes of the loan.

In addition, 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 risk management objectives, as part of the established risk management strategy, rebalancing where necessary. Changes in the 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.
IFRS 9, which was approved with regulation no. 2016/2067 issued by the European Commission on 22 November 2016, has been adopted as from 1 January 2018. As allowed by the transitional provisions of the accounting standard, the effects of the first application of IFRS 9 on the classification and measurement, including the impairment, of financial assets, were not recognised under shareholders' equity at 1 January 2018, since they were not significant, without restating the prior comparative period.

As regards the classification and measurement of the financial assets of Ariston Thermo Group, there were no significant impacts deriving from the application of the new standard.

IFRS 16 – Leases which will replace *IAS 17 – Leases*, as well as *IFRIC 4 – Determining whether an arrangement contains a lease*, *SIC-15 Operating leases-incentives* and *SIC-27 Evaluating the substance of transactions involving the legal form of a lease*. On 13 January 2016, the IASB issued IFRS 16, based on a fundamental criterion which is that of control (the so-called right of use) of an asset, which is necessary to distinguish lease contracts from contracts for services on the basis of objective evidence, such as: identification of the asset, the right to replace it, the right to substantially obtain all the economic benefits from the use of the asset and the right to regulate the use of the asset underlying the lease contract. Conversely, the payment of a consideration over the contractual duration of the use of the asset means that the entity is implicitly obtaining a loan. In short, IFRS 16 has eliminated the distinction between finance leases and operating leases and introduced, for the lessee, a single accounting model to recognise the lease. By applying this model, the entity recognises:

• assets and liabilities for all leases with a duration of over twelve months;
• separately in the income statement, the amortisation/depreciation of the recognised asset and the interest on the financial payable recorded.

With reference to IFRS 16, Ariston Thermo Group chose to adopt the standard in advance, together with the application of IFRS 15. In addition, on the basis of the transitional provisions of IFRS 16, impacts were recorded connected to the situation at 1 January 2018, without restating the prior comparative period (the so-called modified retroactive approach) and recognising the right of use for a total amount equalling the related financial liability. The new standard mainly concerns operating leases relating to assets, such as real estate, machinery and cars/lorries. In addition, the Group used the practical approach, envisaged by IFRS 16.B1, of applying the new standard also to a portfolio of leases which regard similar assets and which have the same characteristics (duration, start date and end date, etc.), since the effects from the application of the standard to the portfolio are not materially different from the application of the same standard to the individual contract.

In addition, on the basis of the practical expedients (recognition exemptions for low-value and short-term leases), mainly rent contracts for IT equipment worth around € 1.6 million in annual fees were not considered, and the non-lease components approach was used, on the basis of which all the costs not strictly related to the right of use are not considered, while, to measure the right of use of assets at the date of first application, the initial direct costs are excluded.

In particular, the adoption of IFRS 16 entailed, at 1 January 2018, the recording of higher fixed assets (right of use) and lease payables of € 61,214 thousand.

Hereafter are shown the effects deriving from the first application, at 1 January 2018, of IFRS 9, IFRS 15 and IFRS 16:

EFFECTS ON THE FINANCIAL POSITION AND ECONOMIC RESULT (in mln €)	Data as at **31.12.2017**	Application of **IFRS 9**	Application of **IFRS 15**	Application of **IFRS 16**	*First application* ***TOTAL EFFECTS***	**RESTATED VALUES AT 01.01.2018**
Total Intangible assets	329				*0*	329
Total Property, plant and equipment	263			61	*61*	324
Deferred tax assets	43				*0*	43
Total other non-current assets	6	1		15	*16*	23
Total non-current assets	**642**	**1**	**0**	**76**	***77***	**719**
Total current assets	**841**	**0**	**0**	**0**	***0***	**841**
Assets held for sale	**0**	**0**	**0**	**0**	***0***	**0**
TOTAL ASSETS	**1,483**	**1**	**0**	**76**	***77***	**1,560**
Total equity	**427**	**1**	**0**	**0**	***1***	**428**
Deferred tax liabilities	33			15	*15*	48
Non-current loans	315			61	*61*	377
Total other non-current liabilities	178				*0*	178
Total non-current liabilities	**526**	**0**	**0**	**76**	***76***	**602**
Current loans	6				0	6
Total other current liabilities	524				*0*	524
Total current liabilities	**530**	**0**	**0**	**0**	***0***	**530**
Liabilities held for sale	**0**	**0**	**0**	**0**	***0***	**0**
TOTAL LIABILITIES AND EQUITY	**1,483**	**1**	**0**	**76**	***77***	**1,560**

EFFECTS ON THE FINANCIAL POSITION AND ECONOMIC RESULT (in mln €)	Data as at **31.12.2018** PRO-FORMA	Application of **IFRS 9**	Application of **IFRS 15**	Application of **IFRS 16**	*First application* ***TOTAL EFFECTS***	**RESTATED VALUES AT 31.12.2018**
Total Intangible assets	337				*0*	337
Total Property, plant and equipment	275			63	*63*	338
Deferred tax assets	46			15	*15*	61
Total other non-current assets	11				*0*	11
Total non-current assets	**669**	**0**	**0**	**78**	***78***	**748**
Total current assets	**834**	**0**	**0**		***0***	**834**
Assets held for sale	**0**	**0**	**0**		***0***	**0**
TOTAL ASSETS	**1,503**	**0**	**0**	**78**	***78***	**1,582**
Total equity	**464**	**0**	**0**	**-0**	***-0***	**464**
Deferred tax liabilities	34			15	*15*	49
Non-current loans	313			44	*44*	357
Total other non-current liabilities	156					156
Total non-current liabilities	**503**	**0**	**0**	**59**	***59***	**563**
Current loans	6			20	*20*	25
Total other current liabilities	530			-1	*-1*	529
Total current liabilities	**536**	**0**	**0**	**19**	***19***	**555**
Liabilities held for sale	**0**	**0**	**0**		***0***	**0**
TOTAL LIABILITIES AND EQUITY	**1,503**	**0**	**0**	**78**	***78***	**1,582**

EFFECTS ON THE INCOME STATEMENT (in mln €)	Data as at **31.12.2018** PRO-FORMA	Application of **IFRS 9**	Application of **IFRS 15**	Application of **IFRS 16**	*First application* ***TOTAL EFFECTS***	**RESTATED VALUES AT 31.12.2018**
Revenue	1,623		-11		*-11*	1,612
Other operating income	37				*0*	36
Total revenue	**1,660**	**0**	**-11**	**0**	***-11***	**1,648**
Services	358		-4	-22	*-26*	332
Depreciation	47			21	*21*	68
Other operating expenses	1,122			0	*0*	1,121
Total operating expenses	**1,527**	**0**	**-4**	**-1**	***-5***	**1,522**
Operating profit	**133**	**0**	**-7**	**1**	***-6***	**127**
Total financial income and expense	**-27**	**0**	**7**	**-1**	***6***	**-21**
Total profit/loss on investments	**5**	**0**	**0**	**0**	***0***	**5**
Taxes	**29**	**0**	**0**	**0**	***0***	**29**
Net profit/loss for the period	**82**	**0**	**0**	**0**	***0***	**82**

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION APPLICABLE AS FROM 1 JANUARY 2018

On 28 March 2018, the European Commission approved **IFRIC 22 - Foreign currency transactions and advance consideration** issued by the IASB on 8 December 2016. IFRIC 22 establishes that, in the presence of foreign currency transactions for which the payment is made or received in advance, the exchange rates to be applied for the initial recognition of the assets, costs or revenues which are generated by the transaction for which the payment/receipt of advance consideration was envisaged, corresponds to the exchange rate in force at the payment date of the advance consideration. The application of this interpretation did not generate impacts on the Group's financial position and income.

On 14 March 2018, the European Commission approved **Transfers of investment property – amendment to IAS 40** of 8 December 2016: the IASB clarified that the transfer of a property to investment property can occur only when there is evidence of a change in use. The application of this amendment did not generate impacts on the Group's financial position and income.

On 26 February 2018, the European Commission approved the **Classification and measurement of share-based payment transactions – amendment to IFRS 2** of 20 June 2016, with which the IASB:

• clarifies the effects of the vesting and non-vesting conditions on the measurement of cash-settled, share-based payments;

• specifies that the changes in share-based transactions from cash-settled to equity-settled generate the elimination of the original liability, the recognition under shareholders' equity of the share-based payment settled with instruments representing capital at the fair value of the date of the change, to the extent that, on the same date, the services have been provided, and the immediate recognition of any difference in the income statement;

• with reference to share-based payment transactions with a net settlement feature in connection with the withholding of the employee's tax obligations arising from tax laws or regulations, introduces an exception so that such transactions are classified as equity-settled in their entirety, should they have been identified as such in the absence of the net settlement imposed by the application of tax law.

The Group does not have any cash-settled stock option plans. In addition, it did not perform any share-based payment transactions with a net settlement feature for withholding tax obligations and did not make any change to the terms and conditions of its share-based payment transactions. Therefore, changes discussed above did not have any impact on the Group's financial position and income.

SCOPE OF CONSOLIDATION

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 Thermo SpA either through a direct or indirect equity ownership, with the majority of voting rights at shareholders' 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. Entities are not consolidated on a line-by-line basis if their consolidation, given their operations (e.g., companies that are not yet or no longer operative, or expected to become operative, and companies that have nearly completed the liquidation process), would be quantitatively and qualitatively immaterial in terms of a correct presentation of the Group's financial position for the year. The exclusion from the consolidation of some subsidiaries, which are not significant either individually or considered together, did not entail a material impact for the purposes of the correct representation of the Group's equity, income and financial situation (in accordance with the provisions of the Framework of the international accounting standards: "information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements").

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 to control them. The consolidation, prepared on a line-by-line basis, was carried out using, for all subsidiaries, a specific reporting package, written based on the IFRS standards adopted by the Group, reclassifying and/or rectifying the accounting data approved by the corporate bodies of the respective companies.

On the basis of the provisions of the IFRS 12 principle, concerning interests in other entities, hereafter is set out the Group's composition at 31 December 2018, highlighting the controlling interests for the purposes of drawing up the consolidated financial statements.

LIST OF COMPANIES CONSOLIDATED ON A LINE BY LINE BASIS

n°	Company	Registered office	Division (*)	Group's controlling interest
1	Ariston Thermo SpA	Italy	TC	parent company
2	Ariston Thermo Argentina Srl	Argentina	TC	100.00
3	Ariston Thermo Benelux sa	Belgium	TC	100.00
4	Ariston Thermo Canada Ltd	Canada	TC	100.00
5	Ariston Thermo (China) Co. Ltd	China	TC	100.00
6	Ariston Thermo Croatia Ltd	Croatia	TC	100.00
7	Ariston Thermo CZ sro	Czech Republic	TC	100.00
8	Ariston Thermo Deutschland GmbH	Germany	TC	100.00
9	Ariston Thermo Egypt LLC	Egypt	TC	100.00
10	Ariston Thermo Espana sl Sociedad Unipersonal	Spain	TC	100.00
11	Ariston Thermo Gulf Water Heating LLC	UAE	TC	100.00
12	Ariston Thermo Heating Tech. Nigeria Ltd	Nigeria	TC	100.00
13	Ariston Thermo Hungária kft	Hungary	TC	100.00
14	Ariston Thermo India Private Ltd	India	TC	100.00
15	Ariston Thermo Industrial Vietnam Ltd	Vietnam	TC	100.00
16	Ariston Thermo Innovative Technologies Srl	Italy	TC	100.00
17	Ariston Thermo International Srl	Italy	TC	100.00
18	Ariston Thermo Isitma ve Sogutma Sistemleri Ithalat, Ihracat ve Dagitim Ltd. Sti.	Turkey	TC	100.00
19	Ariston Thermo Kazakhstan LLP	Kazakhstan	TC	100.00
20	Ariston Thermo Maroc sa	Morocco	TC	100.00
21	Ariston Thermo MEA SPC	Bahrain	TC	100.00
22	Ariston Thermo Parts & Services SA	Switzerland	TC	100.00
23	Ariston Thermo Polska Sp. z o.o.	Poland	TC	100.00
24	Ariston Thermo Pte Ltd	Singapore	TC	100.00
25	Ariston Thermo Romania Srl	Romania	TC	100.00
26	Ariston Thermo Rus LLC	Russia	TC	100.00
27	Ariston Thermo Tunisie sa	Tunisia	TC	100.00
28	Ariston Thermo UK Ltd	United Kingdom	TC	100.00
29	Ariston Thermo Ukraine LLC	Ukraine	TC	100.00
30	Ariston Thermo USA LLC	USA	TC	100.00

n°	Company	Registered office	Division (*)	Group's controlling interest
31	Ariston Thermo Vietnam Ltd	Vietnam	TC	100.00
32	Atag Construction BV	Netherlands	TC	100.00
33	Atag Electronics BV	Netherlands	TC	100.00
34	Atag Engineering BV	Netherlands	TC	100.00
35	Atag Heating BV	Netherlands	TC	100.00
36	Atag Heating UK	United Kingdom	TC	100.00
37	Atag Heizungstechnil Gmbh	Germany	TC	100.00
38	Atag Verwarming Belgie BVBA	Belgium	TC	100.00
39	Atag Verwarming Nederland BV	Netherlands	TC	100.00
40	Atmor (Dongguan) Electronic Technolgy Co. Ltd	China	TC	100.00
41	Atmor Electronic Technolgy Company Ltd	Hong Kong	TC	100.00
42	Atmor Industries Ltd	Israel	TC	100.00
43	BCE Srl	Italy	BUR	100.00
44	Chaffoteaux sas	France	TC	100.00
45	Cuenod sas	France	BUR	100.00
46	DHE Srl	Italy	COM	100.00
47	Domotec AG	Switzerland	TC	100.00
48	Ecoflam Bruciatori SpA	Italy	BUR	100.00
49	Elco Austria GmbH	Austria	TC	100.00
50	Elco B.V.	Netherlands	TC	100.00
51	Elco Belgium nv/sa	Belgium	TC	100.00
52	Elco Burners B.V.	Netherlands	BUR	100.00
53	Elco Burners GmbH	Germany	BUR	100.00
54	Elco GmbH	Germany	TC	100.00
55	Elco Heating Solutions Limited	United Kingdom	TC	100.00
56	Elco International GmbH	Germany	TC	100.00
57	Elco Italia SpA	Italy	TC	100.00
58	Elcotherm AG	Switzerland	TC	100.00
59	Gastech-Energi A/S	Denmark	TC	100.00
60	Heat Tech Geysers Limited	South Africa	TC	100.00
61	HTP Comfort Solutions LLC	USA	TC	100.00
62	Marchi e Brevetti Srl	Italy	TC	100.00
63	NTI Boilers Inc	Canada	TC	100.00
64	NTI Holdings Ltd	Canada	TC	100.00
65	NTI Industrial Inc	Canada	TC	100.00
66	NTI-USA Inc.	USA	TC	100.00
67	PT Ariston Thermo Indonesia	Indonesia	TC	100.00
68	Racold Thermo Private Ltd	India	TC	100.00
69	S.H.E. d.o.o. Svilanjnac	Serbia	COM	100.00
70	SPM Innovation sas	France	BUR	100.00
71	SPM sas	France	BUR	100.00
72	STV France sas	France	TC	100.00
73	Thermowatt (Wuxi) Electric Co. Ltd	China	COM	100.00
74	Thermowatt SpA	Italy	COM	100.00

The participation shares in this table are the ones relevant for determining the Consolidated financial statements. The companies acquired with the put/call contracts to be exercised on the remaining shares of the share capital were fully consolidated, together with the acquisition agreement based on the provisions set forth in IFRS 3 (see the specific treatment of the individual put/call options in the notes). The statutory ones can be found in the table at the end of the Notes to the Consolidated financial statements.
(*) Refers to the main division: TC = Thermal Comfort, BUR = Burners, COM = Components

LIST OF COMPANIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

n°	Company	Registered office	Division (*)	Group's controlling interest
1	Joint venture "Ariston Thermo - UTG LLC" (**)	Uzbekistan	TC	51,00

(**) The company was not included in the scope of consolidation because of its limited area of operation and little significance.

The scope of consolidation changed, compared to 31 December 2017, due to the following transactions:

- the merger between the Swiss subsidiaries Elcotherm AG and Cipag sa, effective as of May 2018;

- Ariston Thermo Canada Ltd exercised the first tranche of the put/call commitment set forth in the agreement for the acquisition of the NY Thermal Group, in April and June 2018, redetermining the shareholding of the relevant parent company at 86% of the share capital;

- Ariston Thermo Benelux SA exercised the second tranche of the put/call commitment set forth in the agreement for the acquisition of the ATAG Group, in May 2018, redetermining its shareholding to 83.95% of the share capital;

- the incorporation, on 9 July 2018, of the Serbian subsidiary S.H.E. d.o.o. Svilajnac, which is 100% held by the

subsidiary Thermowatt SpA. The company will be dedicated to the production of components;

- the acquisition by the subsidiary Ecoflam Bruciatori SpA, on 1 August 2018, of 85% of the share capital of BCE Srl, which operates in the design and marketing of burners and combustion systems for both professional and industrial applications. On the remaining 15% of the company, put and call agreements have been entered into to be exercised in two periods over 2020-2022. This will enable the Group to acquire total control;
- the merger of Novapower R1 Srl into the parent company Ariston Thermo SpA, as per the deed of merger of 6 December 2018, with retroactive accounting effect as of 1 January 2018. The merged company owns the photovoltaic plants installed on the roofs of some Italian facilities of Ariston Thermo Group.

For further details on the two acquisitions occurred in the year, reference must be made to the following section "Accounting standards and assessment criteria".

CONSOLIDATION AND TRANSLATION PRINCIPLES

For the purposes of preparing the IFRS-compliant consolidated financial statements, all consolidated companies have prepared a specific reporting package, on 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.

Subsidiaries

The consolidated financial statements of Ariston Thermo Group include the financial statements of the Parent Company and of its 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:

- in the fair values of the assets and liabilities recognised at the date of their original acquisition. As regards the symmetric put and call contracts connected to the new acquisitions, they have been represented by recognising under other long-term 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 interest (see the subsequent section: "Business combinations");
- in the changes in equity after that date. Subsequently, the losses attributable to non-controlling interests exceeding the equity attributable to them, are recognised under non-controlling interests.

Associates

The consolidated financial statements include the portion of associates' economic results attributable to the Group. Associates are companies on 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 recognised 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 recognised in the financial statements, the amount of this investment is waived and the portion of exceeding losses is not recognised, except and to the extent of the obligations assumed by the Group.

Transactions excluded from the consolidation process

During the preparation of the consolidated financial statements, all intergroup balances and significant transactions, as well as gains and losses that were not realised from intergroup transactions, are not recognised. All realised gains and losses, generated on transactions with associates or jointly controlled companies, are not recognised according to the Group's interests in those companies.

Consolidation of foreign companies

All assets and liabilities of foreign companies in a currency other than the euro, falling within the consolidation area, are converted using the exchange rate 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 recognised under equity until the shareholding is transferred. Goodwill and adjustments to the fair value generated by the acquisition of a foreign company are recognised in the related currency and are converted at 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		2018		2017	
		Average exch. rate	Exch.rate at 31/12	Average exch. rate	Exch.rate at 31/12
EMIRATI DIRHAM	AED	4.3460	4.2050	4.1834	4.4044
ARGENTINE PESO	ARS	43.1593	43.1593	18.8609	22.9310
BRAZILIAN REAL	BRL	4.3087	4.4440	3.6041	3.9729
NEW BELARUSIAN RUBLE	BYN	2.4070	2.4730	2.1837	2.3659
CANADIAN DOLLAR	CAD	1.5252	1.5605	1.4661	1.5039
SWISS FRANC	CHF	1.1525	1.1269	1.1128	1.1702
CHINESE RENMINBI	CNY	7.8156	7.8751	7.6602	7.8044
CZECH KORUNA	CZK	25.6494	25.7240	26.3018	25.5350
DANISH CROWN	DKK	7.4540	7.4673	7.4389	7.4449
EGYPTIAN POUND	EGP	20.7102	20.5108	20.1464	21.3309
ENGLISH STERLING	GBP	0.8845	0.8945	0.8764	0.8872
CROATIAN KUNA	HRK	7.4159	7.4125	7.3598	7.4400
HUNGARIAN FORINT	HUF	319.3299	320.9800	309.0684	310.3300
INDONESIAN RUPIAH	IDR	16,829.3792	16,500.0000	15,216.8288	16,239.1200
INDIAN RUPIAH	INR	80.9557	79.7298	73.9025	76.6055
JAPANESE YEN	JPY	130.4096	125.8500	126.6546	135.0100
KAZAKHSTANI TENGE	KZT	406.3854	437.5200	370.6889	397.9600
MOROCCO DIRHAM	MAD	11.0893	10.9390	10.9292	11.2360
NIGERIAN NAIRA	NGN	412.8200	410.0000	410.7400	430.0000
POLISH ZLOTY	PLN	4.2658	4.3014	4.2560	4.1770
SERBIAN DINAR	RSD	118.2368	118.3109	121.3561	118.6386
ROMANIAN NEW LEU	RON	4.6543	4.6635	4.5763	4.6585
RUSSIAN RUBLE	RUB	74.3202	79.7153	65.8239	69.3920
SINGAPORE DOLLAR	SGD	1.5938	1.5591	1.5451	1.6024
TUNISIAN DINAR	TND	3.1108	3.4302	2.7295	2.9737
TURKISH NEW LIRA	TRY	5.6140	6.0588	4.1903	4.5464
UKRAINIAN HRYVNIA	UAH	31.9945	31.7362	30.2268	33.7318
US DOLLAR	USD	1.1785	1.1450	1.1811	1.1993
VIETNAM DONG	VND	26,904.6710	26,547.0000	26,277.9976	27,233.0000
SOUTH AFRICAN RAND	ZAR	15.5919	16.4594	15.0514	14.8054

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

Hyperinflation in Argentina

In Argentina, following a long observation period of the inflation rates and other indicators, consensus was reached at global level about the existence of 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 2018 include the effects from the application of the aforementioned accounting standard, with effect from 1 January 2018.

The Group's consolidated financial data are presented in euros and, therefore, no remeasurement of the values set out in 2017 has been necessary. In relation to the annual results at 31 December 2018, the income statement includes all the impacts from the remeasurements set out below.

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 started in the final part of 2018. 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 2018. For the purposes of the translation into euro of the income statement thus restated, the spot exchange rate at 31 December 2018 was consistently applied rather than the average exchange rate for the period. With reference to consolidated net sales in the period, the effect from the application of the standard entailed a negative change of € 0.6 million in 2018;

- 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;

- the effect caused on the net monetary position for the part generated during 2018 (total income of € 0.3 million) was taken to the income statement under net financial income, while the effects of the first application of the standard at 1 January 2018 were recognised directly as components of shareholders' equity.

Business combinations

The acquisition of subsidiaries is recognised according to the acquisition method.

The acquisition cost is determined by summing the current values, at the trading date, of the transferred assets, of the incurred or acquired liabilities, and of the financial instruments issued by the Group in exchange for the control of the acquired company.

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS (IFRS 3), are recognised at their current values at the acquisition date except for non-current assets (or disposal groups) which are classified as held for sale in compliance with IFRS 5 and recognised and measured at the current value less sale costs. The transaction costs are fully expensed.

The goodwill deriving from the acquisition of a company is recognised under assets and determined initially as an excess of the cost of acquisition compared with the interest of the Group in the current values of the recognised identifiable assets, liabilities and contingent liabilities.

If the interest of the Group in the current values of identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the exceeding amount is immediately recognised in the income statement.

Non-controlling interests in the acquired company are initially recognised to the extent of their share in the current values of recognised assets, liabilities and contingent liabilities (share of fair value of net assets).

According to the revised IFRS 3 standard, the term "business combination" refers to a transaction where the purchaser obtains control of one or more company's businesses, or to the effect of the accounting consolidation or combination of different entities or company activities into a single entity for the purpose of the financial statements.

In application of this standard, it is necessary to recognise the "contingent consideration" intended as obligations of the purchaser to transfer additional activities to the previous owners, if specific future events occur or if certain contractual conditions are met. These contingent considerations must be measured at the fair value in effect on the date of acquisition.

Accounting treatment of the ATAG Group put and call option

As from 1 January 2016, following (i) the reconsideration of the characteristics of the control exercised due to contractual commitments and (ii) the adoption of a specific Group accounting policy for similar cases, the acquisition of 68.95% of the ATAG Group, which occurred in September 2014, and the related put option in favour of the seller and the call option in favour of the buyer relating to the remaining 31.05% of the share capital, which may be exercised in the period 2017-2019, have been represented by recognising under other long-term liabilities in the financial statements the fair value of the payable arising from the purchase and sale options, signed at the time of the purchase on all the residual capital held by the minority shareholders and without the recognition of the residual equity attributable to non-controlling interest.

At 31 December 2018, as already occurred during 2017, this liability was reduced due to the settlement of part of the commitment envisaged in the acquisition agreement (i.e. the exercise, in May, of a second call/put option tranche).

The fair value of the liability related to the symmetric options, which is reviewed annually, changed as at 31 December 2018, with the subsequent recognition in the income statement of the identified valuation differences.

Accounting treatment of the Gastech-Energi A/S earn-out

On 30 April 2015, 100% of the share capital of the Danish company Gastech was acquired.

The acquisition agreement sets forth a mechanism for a subsequent adjustment of the price (earn-out) based on the earning performance of the company at the specific dates set out in the agreement and, in any events, by March 2018, with a likely further payment.

Therefore, a liability equal to the current value of the estimated obligation as at the date of its possible exercise, was recognised in the financial statements against a higher goodwill. During 2018, this liability was reduced due to the settlement, in April, of part of the commitment envisaged in the acquisition agreement.

The liability, reviewed annually, changed as at 31 December 2018, with the subsequent recognition in the income statement of the identified valuation differences.

Accounting treatment of the SPM Group put and call option

As regards the acquisition of 70% of the SPM Group, occurred on 31 July 2015, and to the put option in favour of the seller and the call option in favour of the buyer, for the residual 30% of the share capital, their valuation is made with the agreement for the acquisition of the controlling share of the company, based on the provisions set forth in IFRS 3 and in the accounting policy adopted by the Group.

A liability was therefore recognised in the financial statements for a value equal to the present value of the estimated obligation against a higher goodwill, without the recognition of residual equity attributable to non-controlling interest until the date of exercising the options.

The fair value of the liability related to the symmetric options, which is reviewed annually, changed as at 31 December 2018, with the subsequent recognition in the income statement of the identified valuation differences.

Accounting treatment of the NY Thermal Group put and call option

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 79% of the NY Thermal Group which occurred on 1 September 2016, 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 21% of the share capital, has been represented by recognising under other long-term liabilities in the statement of financial position the fair value of the payable arising from the purchase and sale options signed at the time of the purchase on all the shares held by minority shareholders, and without the recognition of the residual equity attributable to non-controlling interest. As at 31 December 2018, this liability was reduced due to the settlement of part of the commitment envisaged in the acquisition agreement (i.e. the exercise, in April, of a first call/put option tranche).

The liability, reviewed annually, changed as at 31 December 2018, with the subsequent recognition in the income statement of the identified valuation differences.

Accounting treatment of the HTP Comfort Solutions LLC put and call option

The acquisition of 51% of HTP Comfort Solutions LLC, which occurred on 28 July 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 49% of the share capital, has been represented by recognising under other long-term liabilities in the statement of financial position the fair value of the payable arising from the purchase and sale options signed at the time of the purchase on all the shares held by minority shareholders, and without the recognition of the residual equity attributable to non-controlling interest. The fair value of the liability related to the symmetric options, which is reviewed annually, changed as at 31 December 2018, with the subsequent recognition in the income statement of the identified valuation differences.

Accounting treatment of the Atmor Group put and call option

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, has been represented by recognising under other long-term liabilities in the statement of financial position the fair value of the payable arising from the purchase and sale options signed at the time of the purchase on all the shares held by minority shareholders, and without the recognition of the residual equity attributable to non-controlling interest.

The liability, reviewed annually, changed as at 31 December 2018, with the subsequent recognition in the income statement of the identified valuation differences.

Accounting treatment of the BCE Srl put and call option

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 85% of BCE Srl which occurred on 1 August 2018, 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 15% of the share capital, has been represented by recognising under other long-term liabilities in the statement of financial position the fair value of the payable arising from the purchase and sale options signed at the time of the purchase on all the shares held by minority shareholders, and without the recognition of the residual equity attributable to non-controlling interest. The changes in the fair value of the liability related to the symmetric options, which is reviewed annually, will be recognised in the income statement.

INTANGIBLE ASSETS

Goodwill

Goodwill arising from the acquisition of a subsidiary or jointly-controlled entity reflects the excess of the acquisition cost over the percentage attributable to the Group, of the fair value of the subsidiary's or jointly controlled entity's identifiable assets, liabilities and contingencies at the acquisition date. 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 resulting at the acquisition date is allocated to each of the units generating financial flows, 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 recognised. This impairment loss is not restored, if the reasons that have generated it cease to exist.

If a subsidiary or jointly controlled entity is sold, 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 recognised 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 recognised under assets, only if:

· the asset is identifiable;
· it is probable that the asset will generate future economic benefits;
· the cost for the development of the asset can be accurately measured.

The capitalised development costs include only the expense incurred which maybe attributed directly to the development process.

These intangible assets with definite useful life are amortised 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 recognised in the financial statements, the development costs are recognised in the income statement for the period in which they are incurred.

Other intangible assets

Other intangible assets, whether purchased or internally produced, are recognised 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 and software) with a definite useful life are recognised at purchase or production cost and amortised 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 amortised 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, recognised following the acquisition of a company, are recognised separately from the goodwill, if their current value can be accurately measured.

Here below are the principles applied by the Group for intangible assets:

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost, net of accumulated depreciation and impairment losses, if any. Assets with components of a significant value and with a different useful life are recognised separately when depreciated.

The cost incurred subsequent to the purchase is capitalised only if the future economic benefits of the asset to which it refers increase. All other costs are recognised in the income statement for the period in which they are incurred.

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

Land with no construction or annexed to residential and industrial buildings, is not depreciated since it has an unlimited useful life.
The rights of use relating to leases, following the earlier application of IFRS 16 which eliminated the distinction between financial lease and operating lease, are recognised in a single accounting model to recognise the lease. In accordance with this model, the entity recognises: (i) assets and liabilities for all leases with a duration of over twelve months; (ii) separately in the income statement, the amortisation/depreciation of the recognised asset and the interest on the financial payable recorded.
In addition, 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 lessor as well as the provisions for removal and dismantling, if any, were taken into account.

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 recognised in the income statement for the year.

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.

The recoverable amount is the greater of fair value, net of sale costs, 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 cash generating unit) is estimated to be lower than its carrying value, it is reduced to the lower recoverable amount. Impairment losses are immediately recognised in the income statement.

If a depreciation has no longer a reason to exist, the carrying value of the asset (or of the cash generating unit), 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 recognised in the income statement.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying value and market value less costs to sell.

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 classification date of this item.

Financial activities related to ceased or discontinued operations, net of tax effects, are recognised under one single item in the consolidated income statement, including the comparative data of the relevant period.

INVESTMENTS IN ASSOCIATES

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

FINANCIAL ASSETS

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:

- amortised 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 derecognition. The Group classifies in this category listed shares which pass the SPPI test and which are held for the purpose of collecting the contractual and sale cash flows;

- fair value through the income statement (FVTPL), as a residual category, for assets which are not held in one of the above business models. This category mainly holds financial derivatives held for trading and debt instruments, the contractual flows of which are not solely principal and interest.

Financial assets with embedded derivatives are fully valued at fair value through the income statement, if they do not pass the SPPI test as a single financial instrument.

Financial assets which are classified as contingent consideration are valued at fair value through the income statement.

INVENTORIES

Inventories are recognised at the lesser value between purchase and production cost, according to the weighted average cost method, and their presumed net value based on market price.
Cost includes direct materials and direct labour, general production costs and other costs incurred to bring inventories to their current location and condition.
The expected realisable net value is calculated keeping into account any production and direct costs of sale still to be incurred. 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 realisable value.

TRADE RECEIVABLES

Trade receivables are recognised at fair value of the initial consideration increased by transaction costs and subsequently measured at amortised cost using the effective interest method, net of impairment losses that reflect amounts deemed non-recoverable. The effective interest rate is recognised as financial income in the profit and loss statement of the year. Appropriate write-downs, with an estimate of non-recoverable amounts, are recognised in the income statement when there is objective evidence that the receivables have been impaired. Write-downs reflect the difference between the carrying value of receivables and the current value of expected future cash flows, discounted at the effective interest rate calculated at the initial recognition.

Consolidated trade receivables include also accounts payable of a temporary nature, arising mainly from the recognition of accruals and adjustments to business bonuses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognised 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. This item includes also 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.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at cost, as determined at the settlement date and corresponding to their fair value, net of transaction costs recognised in the income statement that are directly attributable to the issue of the financial liability. After the initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. The difference between amortised cost and the redemption value is recognised in the income statement in relation to the duration of liabilities based on accrued interest.

The item "Loans" includes interest-bearing bank loans and bank overdrafts, recognised on the basis of the collected amounts, net of the transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

FINANCIAL LIABILITIES FOR LEASES

Financial liabilities relating to IFRS 16 leases are initially measured at the present value of the lease fees (fixed and variable) still to be paid. The redemption 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 amortised cost method.

The discount rate at which the lease fees (fixed and variable), that are still to be paid, are discounted is called the 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".

POST-EMPLOYMENT BENEFITS

Payments for defined contribution plans are recognised in the income statement for the period in which they are due.

The liability related to the short-term benefits granted to employees, paid during the employment relationship, is recognised as the amount matured at year-end.

The liability related to the benefits granted to the employees and paid at the time of, or following, the end of the employment relationship through defined benefit plans, i.e. the employee severance indemnity and the defined benefit pension plans, is recognised in the period when the right is exercisable, net of any plan assets and of any advance payments, and is calculated on the basis of actuarial assumption, and recognised on an accrual basis, consistent with the employment obligations to be met in order to obtain the benefits; the liability is calculated by actuaries.

As from 1 January 2013, the Group has applied, on a retrospective basis, the new amendment to *IAS 19 - Employee benefits*.
More specifically, the amendment has eliminated the option to defer the recognition of actuarial gains and losses according to the corridor method, requiring that all actuarial gains and losses be recognised immediately in the "Other Comprehensive Income", so that the entire net amount of defined benefit provisions (net of plan assets) is recognised in the consolidated statement of financial position. Additionally, the amendment sets forth that changes, between one period and the next, occurring in the defined benefits fund and in the benefit plan assets, must be divided into three components:
the cost components related to the work performed in the year must be recognised in the income statement under "service cost"; net financial charges, calculated by applying the appropriate discount rate to the net balance of the defined benefit provision, net of the assets resulting at the beginning of the period, must be recognised as such in the income statement; actuarial gains and losses deriving from remeasurement of liabilities and assets, following mainly the changes in the demographic and/or actuarial financial assumptions, must be recognised in "Other Comprehensive Income". In addition, the return on assets under net financial charges, as described above, is calculated on the basis of the discount rate of the liability and no longer of the expected return on assets.

PROVISIONS FOR RISKS AND CHARGES

The Group recognises provisions for risks and charges when it has an obligation, either legal or implicit, 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. Changes in estimates are reflected in the income statement of the period when the change has occurred. In addition, the amortised cost method will be used for assessment where necessary.
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.

TRADE PAYABLES

Trade payables are recognised at their amortised cost, according to the effective interest rate method. Trade payables that are due within normal commercial terms are not discounted.

CONTRIBUTIONS

Public contributions, obtained against investments, are recognised 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.

REVENUE

In order to recognise 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 5 essential stages: to identify the contract with the customer (stage 1); to identify the contractual obligations, recognising 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 recognise revenue when (or if) each contractual obligation is satisfied through the transfer to the customer of the good or service, or when the customer takes control of the good or service (stage 5).

In addition, the item "Revenue" following the new IFRS 15, considers the main variable considerations, which for the Group largely relate to year-end bonuses, payables due to customers and discounts.

The revenue from the sale of goods is recognised at a point in time on the basis of the means of delivery agreed with the customer (incoterms), while the revenues from the sale of services and warranties are recognised over the contractual period on the basis of a straight-line method.

INCOME TAXES, PRE-PAID AND DEFERRED TAXES

Current taxes are based on the taxable income for the year. The taxable income is different from the profit/loss recognised 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 tax liabilities are calculated at the applicable rates at the end of the reporting period.

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 recognised using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, whereas deferred tax assets are recognised 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 recognised, 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.

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.

Deferred taxes are calculated at the tax rate that is expected to be applied when the asset is realised or the liability extinguished. Deferred taxes are recognised directly in the income statement, except for those related to items recognised directly under equity, in which case the deferred taxes are also recognised under equity.

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.

TREASURY SHARES

Treasury shares are recognised in the financial statements at purchase cost and deducted from consolidated equity. Gains and losses deriving from the negotiation of treasury shares, net of the related tax effects, are recognised under equity reserves.

TRANSACTIONS IN A FOREIGN CURRENCY

Monetary assets and liabilities originally expressed in a foreign currency, recognised in the financial statements at the exchange rate in effect at the recognition date, are adjusted to the exchange rate at the end of the reporting period by offsetting them in the income statement of the relevant year.

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 includes this foreign operation.

USE OF ESTIMATES AND SIGNIFICANT ASSUMPTIONS

The preparation of the financial statements and related notes in accordance with IFRS standards requires that management provide estimates and assumptions which affect both the carrying amount of assets and liabilities and the disclosure about potential assets and liabilities at the end of the reporting period. Accordingly, actual results may differ from these estimates. The estimates are used to recognise provisions for credit risks, obsolete stock, benefits to employees, restructuring provisions, other allocations and provisions. Estimates and assumptions are periodically reviewed and the impact of any change is immediately reflected in the income statement. The estimates, if significant defined in more detail in the specific section of the Notes, are produced by applying specific statistical techniques based on the historic incidence of the carrying values of the relative items together with assumptions on the possible future development with the adoption, where necessary, of subjective assessments of the individual estimated liabilities.

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.

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 purposes).

The Group uses financial derivative instruments mainly to hedge its exposure to exchange rate risk, interest rate risk and commodity price fluctuation risk. Financial instruments are recognised 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, 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 the income statement, is formally documented.

Changes in the value of the derivatives designated as fair value hedge and that are qualified as such, are recognised 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 recognised in the income statement, under the same line of the changes in hedged item.

NOTES TO THE FINANCIAL STATEMENTS

INCOME STATEMENT

NOTE 1.1 - REVENUE

As from 1 January 2018, the new standard was applied for the first time as revised and modified by the IASB: *IFRS 15 - Revenue from contracts with customers.*

This entailed an impact in determining revenue mainly for the sale of products, essentially due to the deduction of "early payment discounts" and the amount for "charges for commercial services received from customers" to satisfy the definition of IFRS 15, as envisaged by the standard.

These cost items were previously shown respectively under "Financial expense" and "Costs for services".

During 2018, the Group recorded revenue of € 1,612,134 thousand, compared to € 1,569,739 thousand in the previous year, with an increase of around € 42 million (+2.7%).
Assuming the same scope of consolidation, exchange rate and standards, the increase in revenue was restated at around € 41 million, equal to +2.6%.

For a more complete analysis, reference should be made to the Directors' Report on Operations.

The Revenue item can be broken down as follows:

REVENUE (in thousand €)	**31 DEC. 2018**	**31 DEC. 2017**
Revenues from sales	1,479,607	1,435,698
Revenues from services	123,525	125,433
Other revenues	9,001	8,608
Total	**1,612,134**	**1,569,739**
Other operating income	36,162	29,600
Total revenue	**1,648,296**	**1,599,339**

"Other operating 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 include, mainly, extraordinary income related to no longer due obligations; the release of provisions for risks which are no longer likely to occur, the gains on the disposal of fixed assets and other income.

In 2018, they totalled € 36,162 thousand, an increase of € 6,562 thousand compared to the previous period, mainly due to a capital gain from the sale of technical assets by a French subsidiary.

NOTE 1.2 – RAW MATERIALS, CONSUMABLES AND GOODS FOR RESALE

As at 31 December 2018, the "Purchase cost of raw materials, consumables and goods for resale", amounted to € 724,970 thousand, up by € 23,534 thousand compared with the same period of the previous year, partly due to the increase in the scope of consolidation.
The trend in purchases and the change in inventories also highlight a slight increase in the average percentage of raw materials consumed to revenue, a percentage which, from 42.1% in 2017, rose to 43.5%, mainly due to the increase in the cost of raw materials, especially polypropylene, and the variation in inventories.

NOTE 1.3 – SERVICES

"Costs for services" amounted to € 332,287 thousand versus € 341,109 thousand for the year 2017, down by € 8,822 thousand, and can be detailed as follows:

SERVICES (in thousand €)	31 DEC. 2018	31 DEC. 2017
Logistics and trasport	68,317	62,838
Other services	76,969	69,530
Sub-contracted work	56,533	54,081
Advertising and promotion	37,603	37,815
Rental and lease expenses	14,698	35,688
Utilities	15,729	15,372
Bonuses and commissions	14,378	18,772
Consulting services	14,671	16,615
Sub-contracted maintenance	14,106	13,733
Technical support	10,313	7,684
Insurance	6,590	6,013
Directors and Statutory Auditors' Fees	2,380	2,969
Total	**332,287**	**341,109**

The aggregate fell significantly compared to the prior year. In 2018, costs for services were strongly impacted both by the early application of IFRS 16, which resulted in the reversal of lease fees (€ 22 million) and by the application of IFRS 15, which saw the reclassification of "charges for commercial services received from customers" from costs for services to a reduction in revenues from sales (€ 4 million).

During 2018, the Group continued to grow and this affected variable costs connected to sales, such as logistics and transport, with an increase of € 5,479 thousand.
In addition, there was an increase in the generic item "other services" of around € 7,439 thousand mainly due to the increase in costs of the Chinese subsidiary and of the parent company Ariston Thermo SpA.

NOTE 1.4 – PERSONNEL COSTS

In 2018, "Personnel costs" amounted to € 371,407 thousand, up by € 769 thousand compared with the same period of the previous year.

Costs are detailed as follows:

PERSONNEL (in thousand €)	31 DEC. 2018	31 DEC. 2017
Wages and salaries	290,574	290,710
Social security costs	64,946	65,192
Provision for Employees severance indemnity	5,386	4,931
Provision for retirement benefits and other funds	333	310
Other personnel costs	10,168	9,496
Total	**371,407**	**370,638**

Assuming the same scope of consolidation and exchange rate, the aggregate fell by around € 3 million compared to the previous year, due to the reduction in the workforce following organisational changes.

The incidence in social security costs on the total remunerations is in line with the previous year, standing at approximately 22%.
The headcount by category of employee was:

HEADCOUNT	31 DEC. 2018	31 DEC. 2017	Average	Δ
Managers and white collars	3,470	3,541	3,504	-78
Blue collars	3,386	3,452	3,516	-66
Total	**6,856**	**6,993**	**7,020**	**-144**

NOTE 1.5 – PROVISIONS AND WRITE-DOWNS

During the year, "Provisions and write-downs" were recognised for € 23,281 thousand versus € 22,247 thousand in 2017. In detail, the provisions were the following:

PROVISIONS AND WRITE-DOWNS (in thousand €)	31 DEC. 2018	31 DEC. 2017
Bad debt provision	2,913	2,873
Product warranty provision	10,751	9,582
Provision for installation	3,509	3,631
Provision for legal disputes	847	1,047
Provision for restructuring	1,362	948
Other provisions and write-downs	3,899	4,167
Total	**23,281**	**22,247**

The increase in "Provisions and write-downs" was mainly due to the change in the scope of consolidation.

NOTE 1.6 – OTHER OPERATING EXPENSES

"Other operating expenses" amounted to € 26,553 thousand versus € 27,503 thousand of the previous year and can be detailed as follows:

OTHER OPERATING EXPENSES (in thousand €)	**31 DEC. 2018**	**31 DEC. 2017**
Non-income tax and taxes	5,738	8,431
Losses on receivables	1,833	979
Office supplies and printing	1,789	1,849
Concession rights and other	2,742	2,361
Subsidies and contributions	714	880
Other operating expenses	13,737	13,003
Total	**26,553**	**27,503**

This item includes all ordinary operating expenses that cannot be recognised under other items.

Other operating expenses fell by € 950 thousand compared with the previous year. The fall in "Non-income tax and taxes" compared to 2017, which was largely offset by the increase in "Losses on receivables", derives mainly from the legislative change which reduced the taxes on transfers of goods and products to which the Indian subsidiary is subject.

NOTE 1.7 – FINANCIAL INCOME

"Financial income" had a balance of € 2,672 thousand at the end of the period, up compared to the value of € 2,554 thousand in 2017. The item can be detailed as follows:

FINANCIAL INCOME (in thousand €)	**31 DEC. 2018**	**31 DEC. 2017**
Interest income on bank current accounts	1,115	1,148
Interest income and discounts received on payments	84	74
Financial income on provisions for employee benefits	1,008	1,052
Other financial income	466	280
Total	**2,672**	**2,554**

The change between the two periods was mainly due to the item "Other financial income", due to the indexation recorded by the Argentine associate following the application of *IAS 29 - Financial reporting in hyperinflationary economies*.

The other items making up the total financial income were largely unchanged between the two years in question.

NOTE 1.8 – FINANCIAL EXPENSE

This item shows a balance of € 18,201 thousand versus a balance of € 18,336 thousand as at 31 December 2017. The item can be detailed as follows:

FINANCIAL EXPENSE (in thousand €)	31 DEC. 2018	31 DEC. 2017
Interest expense on MLT bank loans	4,279	4,674
Interest expense on ST bank loans	686	230
Interest expense on other MLT loans	1,744	9
Interest expense and discounts granted on payments	0	6,727
Financial expense on provisions for employee benefits	1,801	1,913
Other financial expense	9,691	4,783
Total	**18,201**	**18,336**

The value of financial expense was broadly in line with the previous year. However, there were changes in the following items:

- "Interest expense on ST bank loans", which increased by € 456 thousand, following greater use of credit lines in foreign currency at consolidated level to manage exchange rate risk;
- "Interest expense on MLT bank loans", which increased by € 1,735 thousand, of which € 1.6 million relating to interest on finance leases following the application of the new IFRS 16 on leased assets;
- the annulment of "Interest expense and discounts granted on payments" which, as already noted previously, in accordance with the provisions of IFRS 15, were reclassified in 2018 to reduce the revenues from sales;
- "Other financial expense", which rose by € 4,908 thousand, mainly due to interest on discounting from the measurement at fair value of the obligations related to acquisitions which took place in prior periods and which provide for the future exercise of put/call options for total control of the share capital.

The mitigation of the above effects was also due to lower interest expense on medium/long-term debt, following the early repayment of a € 40,000 thousand loan in the first half of 2017 and lower expenses due to the gradual amortisation of a further existing loan as well as the fall in financial expense related to the discounting of provisions for employee benefits, due to the reduction in the provisions themselves and the related interest rates.

NOTE 1.9 - EXCHANGE RATE GAINS/LOSSES

"Exchange rate gains/losses" show overall a negative balance of € 5,200 thousand which can be broken down as follows:

EXCHANGE RATE GAINS/LOSSES (in thousand €)	31 DEC. 2018	31 DEC. 2017
Exchange rate gains	12,750	10,457
Exchange rate losses	-21,886	-15,793
Unrealised exchange rate gains	4,680	4,268
Unrealised exchange rate losses	-744	-7,688
Total	**-5,200**	**-8,756**

"Exchange rate gains and losses" include the monetary changes on the accounting entries that were realised at the end of the reporting period; the "Unrealised exchange rate gains and 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. Compared to the previous year and given the Group's currency exposures, the result relating to realised and unrealised exchange rate gains and losses was negatively affected by the weakness of the currencies of emerging countries, in particular the Turkish lira and the Argentine peso. The result was partly mitigated by the trend in the US dollar, the Swiss franc, the South African rand and the Ukrainian hryvnia against the euro and the Chinese renminbi against the US dollar.

NOTE 1.10 - PROFIT (LOSS) ON INVESTMENTS

The item "Profit (loss) on investments" was positive for € 4,540 thousand, mainly due to the annual revision of the value of obligations relating to put/call options connected to extraordinary acquisitions, with the recognition in the income statement of any valuation differences. In 2017, this item showed an increase of € 139 thousand and was again related to the valuation of the obligations connected to the put and call options entered into for the latest acquisitions of the Group.

NOTE 1.11 – TAXES

The "Taxes", recognised in the consolidated income statement and compared with the profit before tax, are the following:

TAXES (in thousand €)	31 DEC. 2018	31 DEC. 2017	Δ
Profit before tax	**110,577**	**109,002**	**1,575**
Current taxes	28,834	31,857	-3,023
Deferred taxes	168	-5,445	5,613
Total taxes	**29,002**	**26,412**	**2,590**
Average rate	26.2%	24.2%	2.0%

The overall taxes recorded at 31 December 2018 were € 29,002 thousand, with a tax rate of 26.2% on pre-tax income, compared to € 26,412 thousand in 2017, and with a tax rate of 24.2%.
The increase in value and in percentage of taxes was mainly connected to the country mix and to non-recurring effects which reduced the tax burden in the previous year.
The analysis of the difference between the theoretical tax rate (defined as equal to the Italian rate applicable for the calculation of income taxes) and the actual one for the periods compared is the following:

TAX RECONCILIATION (in thousand €)	31 DEC. 18		31 DEC. 17	
	Amount	Rate	Amount	Rate
Theoretical Income tax		**24%**		**24%**
Profit before tax	110,577		109,002	
Theoretical tax based on Italian income tax rate	26,538		26,160	
Positive/Negative differences from theoretical rate				
- Lower tax burden from tax losses for which no deferred tax assets were allocated	-100		62	
- Lower tax burden from foreign companies versus theoretical Italian rate	-2,157		-3,845	
- Higher tax burden from foreign companies versus theoretical Italian rate	2,359		3,000	
- Effects from deferred taxes	168		-5,445	
- Effects from non-allocated tax assets	3,823		872	
- Other differences	-4,711		3,005	
Total effects on current and deferred taxes	**25,921**	**23.4%**	**23,810**	**21.8%**
- IRAP for Italian companies and other not income-related taxes	3,082		2,602	
Total Income taxes posted in the financial statements (current and deferred)	**29,002**	**26.2%**	**26,412**	**24.2%**

NOTE 1.12 – PROFIT/LOSS FROM DISCONTINUED OPERATIONS

The year 2018 does not show any figures related to profit/loss from discontinued operations.

NOTE 1.13 – BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share as at 31 December 2018 amounted to € 2.87 and are calculated by dividing the net profit for the year attributable to the ordinary shareholders of the Parent Company, of € 81,575 thousand, by the number of ordinary shares outstanding during the period that is 28,393,150.
The number of outstanding shares is lower than the number of shares issued owing to the purchases of treasury shares by the Parent Company as from 2009.
The diluted earnings per share are the same as the basic earnings per share since there are no elements that may generate a diluted effect.

NON-RECURRING EXPENSE (INCOME)

In 2018, non-recurring transactions, one-off events or transactions, transactions or events which do not occur frequently in the usual undertaking of business in terms of their amount or importance (CONSOB Communication no. DEM/6064293 of 28/07/2006) entailed the recognition of expense for € 7,592 thousand (€ 14,356 thousand in 2017) at the level of profit before tax and for € 5,682 thousand (€ 10,173 thousand in 2017) at the level of net profit.
These expenses comprise primarily the costs for restructuring operations paid in the current year and allocations to the restructuring provision.

"NON-RECURRING TRANSACTIONS"

(in thousand €, -income ; +expense)

DESCRIPTION	effect on: PROFIT BEFORE TAX	effect on: NET PROFIT	effect on: EQUITY
Restructuring costs	8,933	6,453	6,453
Other non-recurring expense	-1,342	-771	-771
TOTAL	**7,592**	**5,682**	**5,682**

MAIN ATYPICAL OR UNUSUAL TRANSACTIONS

For a description of the main atypical and/or unusual transactions, defined as those transactions which, by their significance, relevance, nature of the counterparty, subject matter and timing (near the end of the financial period) require more details in the financial statements, see the Directors' Report on Operations.
The acquisition of BCE Srl, which took place in 2018, did not generate atypical and/or unusual expense or income for the income statement in the year.
In addition, after Ariston Thermo SpA acquired 100% of Novapower R1 Srl on 6 December 2018, this entity was merged into the parent company with a retroactive effective date of 1 January 2018 for accounting purposes.
The company being acquired is the owner of the photovoltaic plants installed on the roofs of some Italian facilities of Ariston Thermo Group.

STATEMENT OF FINANCIAL POSITION – ASSETS

NOTE 2.1 – INTANGIBLE ASSETS

As at 31 December 2018, "Intangible assets" amounted to € 337,121 thousand, up by a net € 8,610 thousand as at 31 December 2017, net of the amortisations for the period of € 14,050 thousand, in addition to other changes.

Depreciations for the period are recognised under the appropriate item in the income statement.
Details of and changes in intangible assets are the following:

INTANGIBLE ASSETS

	GOODWILL		OTHER INT. ASSETS			TOTAL	
(in thousand €)	Net value	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2016	**204,602**	**138,025**	**-64,107**	**73,920**	**342,629**	**-64,107**	**278,521**
Change in the scope of consolidation (HTP + Atmor)	48,768	4,073	0	4,073	52,842	0	52,842
Increases	0	15,841	0	15,841	15,841	0	15,841
Decreases	0	-30	0	-30	-30	0	-30
Revaluations/Write-downs	0	-279	0	-279	-279	0	-279
Amortisation	0	0	-12,812	-12,812	0	-12,812	-12,812
Exchange rate effect	-4,803	-1,668	876	-792	-6,472	876	-5,595
Other	0	-8,720	8,743	23	-8,720	8,743	23
Total changes	**43,965**	**9,217**	**-3,193**	**6,024**	**53,181**	**-3,193**	**49,989**
As at 31.12.2017	**248,567**	**147,242**	**-67,299**	**79,944**	**395,810**	**-67,299**	**328,511**
Change in the scope of consolidation (Novapower R1)	1,682	129	-68	61	1,811	-68	1,743
Increases	0	16,306	0	16,306	16,306	0	16,306
Decreases	0	-207	0	-207	-207	0	-207
Revaluations/Write-downs	0	-106	-26	-132	-106	-26	-132
Amortisation	0	0	-14,050	-14,050	0	-14,050	-14,050
Exchange rate effect	2,338	243	9	252	2,582	9	2,590
Other	0	-11,077	13,436	2,359	-11,077	13,436	2,359
Total changes	**4,021**	**5,288**	**-698**	**4,590**	**9,308**	**-698**	**8,610**
As at 31.12.2018	**252,587**	**152,530**	**-67,997**	**84,533**	**405,118**	**-67,997**	**337,121**

The net total amount of the goodwill was € 252,587 thousand versus € 248,567 thousand at 2017 year-end. Besides the variation in exchange rates, which saw a gain of € 2,338 thousand, the balance at 31 December 2018 changed compared to the end of 2017, due to the allocation of the deficit from the merger of Novapower R1 Srl into Ariston Thermo SpA.
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, as at 31 December 2018, the impairment test was carried out as described hereinafter.

IMPAIRMENT TEST

On an annual basis, the Group reviews the carrying value of its tangible and intangible assets in order to determine if they have lost value. Should there be significant evidence of such a loss, the amount of the impairment loss is determined by estimating the recoverable value of the cash generating unit to which the assets in question belong.
As clearly indicated in the relevant accounting standards, intangible assets with an indefinite useful life, including goodwill, are tested at least on an annual basis, regardless of any indication of impairment, by comparing the value in use of the related cash generating units. The criterion for determining the value in use follows the IAS 36 guidelines and is based on the current value of the expected future cash flows which are assumed to derive from the ongoing use and the disposal of an asset at the end of its useful life after being discounted at an interest rate that reflects the current money market rates as well as specific risks related to the cash generating unit in question.

DESCRIPTION OF THE CASH GENERATING UNIT (CGU) FOR THE GOODWILL

The smallest operating units or groups of cash generating units, to which future cash flows that are objectively measurable and independent from those generated by other operating units (i. e. the CGUs) are to be associated, have been identified based on the organisational and operating model of the Group.
These areas represent the most significant breakdown of the risk and benefit profiles of the company and were restated, during 2018, due to increased correlation with the Group's business and organisational structure.
At 31 December 2018, the reference CGUs were the three divisions to which specific areas of managerial responsibility refer: Thermal Comfort (TC), Burners (BUR) and Components (COM).

ASSUMPTIONS RELATED TO THE IMPAIRMENT PLAN

The discounted cash-flow analysis, on which the test is based, was developed starting with the scenarios defined for the 2019-2021 period, prepared under the assumption of full operability of the Group in the foreseeable future.
The main assumptions formulated for the preparation of the impairment test are the following:
- **Net invested capital** by CGU (in thousand euro): TC 707,720, BUR 46,181, COM 35,178
- **Goodwill by CGU** (in thousand euro): TC 233,849, BUR 13,057, COM 5,680
- **Trademark by CGU** (in thousand euro): TC 28,439, BUR 1
- **CAGR** (composite annual growth rate of the turnover in 2019-2021) by CGU: TC 8.25%, BUR 9.71%, COM 1.30%
- **WACC** (weighted average cost of capital) by CGU: TC 9.83%, BUR 9.67%, COM 10.70%

IMPAIRMENT TEST RESULTS

Based on the adopted assumptions, as described above, and keeping into account also a sensitivity analysis carried out on the WACC and CAGR beyond the specific timeframe, the fairness of the carrying values is confirmed.

The "Other intangible assets" item is composed of the following:

OTHER INTANGIBLE ASSETS (in thousand €)	31 DEC. 2018	31 DEC. 2017
Concessions, licenses, trademarks	29,139	29,178
Development costs	25,701	25,140
Software	11,300	9,530
Intangible assets under development	11,802	11,048
Other	6,592	5,049
Total	**84,533**	**79,944**

The item "Concessions, licenses, trademarks" includes, for € 28,440 thousand, the value of sole ownership of the Ariston trademark since its use was already included in the assets of the Group, acquired in 2008 through a non-proportional division operation of the subsidiary Marchi & Brevetti. Since the trademark has an indefinite useful life, it is subject to impairment test.
The change in "Other intangible assets" from the start of the period amounted to € 4,589 thousand, and was mainly related to the consolidation of software infrastructure supporting corporate activities.
The other intangible assets have a definite useful life and are consequently amortised as necessary.
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 € 8.3 million (€ 8.3 million in 2017) out of a total of € 29.7 million (€ 25.1 million in 2017) reported in the financial statements.
For additional details on the main initiatives, see the specific paragraph in the Directors' Report.
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 invested capital 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 2.2 – PROPERTY, PLANT AND EQUIPMENT

Since 1 January 2018, Ariston Thermo Group has applied *IFRS 16 – Leases* which, by removing the distinction between finance and operating leases, determined, in terms of operating lease fees, the recognition of payables for commitments towards lease companies against the recognition of tangible assets for the right of use of the assets concerned.

This entailed an impact in determining "Property, plant and equipment" which amounted to € 338,138 thousand at 31 December 2018, a net increase compared to 31 December 2017 of € 74,753 thousand, of which € 61,221 thousand was due to the initial recognition of the right of use for operating leases in place before 2018.
Depreciations for the period are recognised under the appropriate item in the income statement and amounted to € 53,785 thousand.

Details of and changes in property, plant and equipment are the following:

PROPERTY, PLANT AND EQUIPMENT

(in thousand €)	Land and buildings			Plant and machinery			Other property, plant and equipment			Total		
	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2016	**218,279**	**-103,027**	**115,252**	**322,918**	**-239,100**	**83,818**	**218,797**	**-161,291**	**57,507**	**759,993**	**-503,416**	**256,577**
Change in the scope of consolidation												
(HTP+Atmor)	1,722	-458	1,265	15,632	-11,758	3,875	2,605	-1,116	1,489	19,960	-13,332	6,628
Increases	3,669	0	3,669	9,123	0	9,123	28,737	0	28,737	41,530	0	41,530
Decreases	-1,400	0	-1,400	-301	9	-293	-181	-23	-204	-1,883	-14	-1,897
Revaluations/Write-downs	0	0	0	0	-118	-118	0	-457	-457	0	-575	-575
Depreciation	0	-5,183	-5,183	0	-13,496	-13,496	0	-12,608	-12,608	0	-31,288	-31,288
Exchange rate effect	-7,152	2,604	-4,547	-5,577	3,749	-1,829	-3,658	2,328	-1,330	-16,387	8,681	-7,706
Other	-1,984	2,643	658	5,258	1,894	7,152	-11,012	3,319	-7,693	-7,738	7,856	118
Total changes	**-5,145**	**-394**	**-5,539**	**24,135**	**-19,721**	**4,414**	**16,492**	**-8,557**	**7,934**	**35,482**	**-28,672**	**6,810**
As at 31.12.2017	**213,134**	**-103,421**	**109,714**	**347,053**	**-258,821**	**88,232**	**235,288**	**-169,848**	**65,440**	**795,475**	**-532,088**	**263,385**
Right of use at 1.01.2018	40,777	0	40,777	515	0	515	19,930	0	19,930	61,221	0	61,221
Change in the scope of consolidation												
(Novapower R1 + BCE)	49	-8	42	9	-7	2	8,699	-3,355	5,343	8,756	-3,370	5,386
Increases	18,496	0	18,496	12,811	0	12,811	36,744	0	36,744	68,051	0	68,051
of which for right of use	*14,674*	*0*	*14,674*	*146*	*0*	*146*	*7,755*	*0*	*7,755*	*22,575*	*0*	*22,575*
Decreases	-808	29	-779	-865	6	-859	243	64	307	-1,430	99	-1,332
Revaluations/Write-downs	0	-5	-5	-3	-1,823	-1,826	-56	-238	-293	-59	-2,066	-2,124
Depreciation	0	-16,783	-16,783	0	-13,971	-13,971	0	-23,031	-23,031	0	-53,785	-53,785
of which for right of use	*0*	*-11,619*	*-11,619*	*0*	*-245*	*-245*	*0*	*-9,365*	*-9,365*	*0*	*-21,229*	*-21,229*
Exchange rate effect	416	-283	133	-1,176	860	-316	-458	245	-213	-1,218	822	-396
Other	-7,344	7,533	189	-3,608	11,225	7,616	-14,218	4,145	-10,073	-25,171	22,903	-2,268
Total changes	**51,586**	**-9,517**	**42,070**	**7,681**	**-3,711**	**3,970**	**50,883**	**-22,170**	**28,713**	**110,150**	**-35,397**	**74,753**
As at 31.12.2018	**264,721**	**-112,937**	**151,783**	**354,735**	**-262,532**	**92,202**	**286,171**	**-192,018**	**94,152**	**905,626**	**-567,485**	**338,138**

The net change of € 74,753 thousand was largely caused by the effects from the earlier application of IFRS 16. As shown in the previous table, the value of the right of use at 1 January 2018 totalled € 61,221 thousand, to which investments carried out in the period were added for € 22,575 thousand, partly offset by the depreciation recognised under a specific item in the income statement for € 21,229 thousand.

Outside of the effect due to the above changes, the net increase of € 12,186 thousand is the result of the algebraic sum of different factors:

- the merger of Novapower R1 Srl into Ariston Thermo SpA which contributed to an increase in property, plant and equipment for € 5,324 thousand due to the transfer of existing finance leases for the solar panels installed on the roofs of Italian factories. The contribution of assets from the acquisition of BCE Srl, which were valued overall at fair value at the acquisition date, was not material;
- the investments in the year of € 45,476 thousand, which reflect the higher investments made during 2018 compared to 2017 and for which reference should be made to the Directors' Report on Operations;
- the depreciations for the period, amounting to € 32,556 thousand.

With regard to the effects of the translation of the assets held by foreign subsidiaries, the significant write-down recorded at 31 December 2017 of negative € 7,706 thousand, was followed by a lower write-down of only € -396 thousand.

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 flows method.

"Other property, plant and equipment" totalled € 94,152 thousand and rose compared to 31 December 2017 by € 28,713 thousand, of which € 23,644 thousand was to be attributed to the transactions described above: the merger of Novapower R1 Srl and the application of IFRS 16.

The breakdown is detailed below:

OTHER PROPERTY, PLANT AND EQUIPMENT (in thousand €)	31 DEC. 2018	31 DEC. 2017
Industrial and commercial equipment	43,019	38,120
Means of transport	19,314	1,693
Furniture and office equipment	3,790	3,883
EDP machinery	3,845	3,813
Assets under construction	18,940	17,599
Other property, plant and equipment	5,245	331
Total	**94,152**	**65,440**

NOTE 2.3 – INVESTMENTS IN ASSOCIATES

As at 31 December 2018, there are no investments in associates.

BUSINESS COMBINATIONS

On 1 August 2018, Ariston Thermo Group acquired 85% of the share capital of BCE Srl, the Italian company which manufactures a wide range of industrial burners, combustion systems, air heaters and thermal oxidisers for the energy and petrochemical sectors.

The total purchase cost, consisting of an initial price and a subsequent adjustment to the results (see the paragraph "Consolidation and translation principles"), was measured at the fair value of the assets acquired resulting in no goodwill.

COMPANY:	**BCE Srl (Caronno Pertusella - Italy)**
ACTIVITY:	**Design and marketing of burners and combustion systems for professional and industrial applications**
ACQUISITION DATE:	**1 AUGUST 2018**
ACQUISITION %:	**85% through the subsidiary Ecoflam Bruciatori SpA**

THE FAIR VALUE OF ASSETS AND LIABILITIES AT THE ACQUISITION DATE IS:

(in thousand €)	as at 1 August 2018	
	Carrying value IAS	Fair value
Intangible assets	0	0
Property, plant and equipment	48	48
Other non-current assets	66	66
Deferred tax assets	0	0
Inventories	37	37
Trade receivables	723	723
Other current assets	680	680
Cash and cash equivalents	256	256
Deferred tax liabilities	0	0
Provisions for employee benefits	-219	-219
Non-current loans	0	0
Other non-current liabilities		0
Trade payables	-370	-370
Current loans	0	0
Other current liabilities	-263	-263
VALUE OF ASSETS NET OF LIABILITIES	**958**	**958**
% acquisition		100.00%
** VALUE of acquisition		958
** GOODWILL of acquisition		0

Concurrently with the execution of the acquisition agreement, the sellers were granted a put-option and the buyers a call-option for the acquisition of the residual 15% of BCE Srl. The value of the options to be exercised is tied to the earning performance of the company in the 2020-2022 period. These options were considered as part of the business combination and assessed for the purposes of drawing up the consolidated financial statements in accordance with the criteria described in the section "Consolidation and translation principles – Accounting treatment of BCE Srl put and call option".

In the period between the acquisition date and the end of the reporting period, the company has contributed to the income statement of the Group, with € 806 thousand in revenue.

NOTES 2.4 – DEFERRED TAX ASSETS AND LIABILITIES

"Deferred tax assets and liabilities" show a net positive balance of € 11,826 thousand with an overall positive change of € 966 thousand compared with the figure as at 31 December 2017.

DEFERRED TAX ASSETS AND LIABILITIES

(in thousand €)

	31 DEC. 2018			31 DEC. 2017		
	Temporary differences	Tax rate	Tax effect	Temporary differences	Tax rate	Tax effect
DEFERRED TAX ASSETS						
Intragroup gains on inventory	8,788	26.7%	2,349	11,816	24.9%	2,943
Assets for employee benefits	19,149	25.9%	4,964	22,842	27.3%	6,239
Retained tax losses	10,243	30.2%	3,095	17,672	27.8%	4,904
Product warranty provision	22,797	23.5%	5,356	21,303	25.5%	5,422
Obsolete stock provision	5,074	28.3%	1,435	7,197	26.5%	1,907
Bad debt provision	7,157	27.9%	1,997	9,757	27.4%	2,675
Allowance for installation	4,510	25.5%	1,148	4,202	25.2%	1,061
Goodwill and contributions	3,767	28.0%	1,055	5,293	28.0%	1,482
Alignment with Group accounting standards (*)(***)	97,797	24.2%	23,622	2,438	33.3%	813
Restructuring plans	111	28.0%	31	-209	30.1%	-63
Other	67,480	23.6%	15,913	61,254	26.1%	15,979
Total	**246,872**	**24.7%**	**60,965**	**163,565**	**26.5%**	**43,362**
DEFERRED TAX LIABILITIES						
Accelerated amortisations/depreciations (**)	20,781	27.3%	5,683	21,870	27.6%	6,046
Finance leases (***)	68,599	25.3%	17,324	7,761	28.0%	2,173
Temporary differences on risks	22,307	27.7%	6,170	18,492	28.4%	5,252
Provisions for employee benefits	2,561	28.0%	717	2,562	28.0%	717
Alignment with Group accounting standards (*)	39,303	20.1%	7,912	35,821	21.3%	7,636
"Ariston" brand valuation	28,440	28.0%	7,963	28,440	28.0%	7,963
Other	14,041	24.0%	3,370	11,802	23.0%	2,715
Total	**196,032**	**25.1%**	**49,139**	**126,748**	**25.6%**	**32,502**
EFFECT ON EQUITY			**11,826**			**10,860**

NOTES:
(*) The "Alignment with Group accounting standards" shows the tax effects related to "temporary differences" arising from changes in the IAS/IFRS accounting criteria and from consolidation.
(**) The "Accelerated amortisations/depreciations" represent the deferred taxes related to advanced, accelerated and extra-accounting amortisations/depreciations.
(***) It considers also the introduction of the new IFRS 16 standard.

The effect of deferred tax assets and liabilities on equity rose overall by an amount of € 966 thousand and was due to a range of temporary differences, including mainly the differences associated with the various provisions, recorded in the financial statements.

In addition, there was an increase of around € 15 million covering both deferred assets and liabilities as a consequence of the introduction of the new IFRS 16 and the related financial statement classification, with a net balance of around € 1 million.

NOTE 2.5 – FINANCIAL ASSETS

"Financial assets" mainly consist of the value of "Other investments" held for the medium/long term, the value of which was € 2,296 thousand at 31 December 2018, with an increase of € 1,004 thousand compared to 2017.

Until 31 December 2017, these low-value investments were classified as financial instruments available for sale and measured at purchase cost, as envisaged by IAS 39. The new IFRS 9 envisages instead their measurement at fair value, since they are mainly classified as "Debit instruments at fair value through income statement (FVPL)". The impact of the measurement at fair value of minority investments, since these are mainly investment funds, led to a net opening increase in the value of the aforementioned investments of around € 823 thousand.

The increase of € 181 thousand during the period is primarily due to the subscription, by the Parent Company Ariston Thermo SpA, of further equity investment in an "Investment company in risk capital (SICAR) provision" specialising in interventions in sectors where the Group operates.

NOTE 2.6 – NON-CURRENT FINANCIAL ASSETS

"Non-current financial assets" of € 3,538 thousand related to liquidity against contractual commitments towards third-party shareholders arising from the acquisition of the American HTP Comfort Solutions LLC.

NOTE 2.7 – OTHER NON-CURRENT ASSETS

The item "Other non-current assets" amounted, at 31 December 2018, to € 5,519, up compared with the € 5,156 thousand of 2017. The item includes primarily the security deposits due beyond the year and other assets with a financial impact spreading beyond one year.

NOTE 2.8 – INVENTORIES

Following is the composition of “Inventories” as at 31 December 2018, net of the obsolete stock provision.

INVENTORIES (in thousand €)	31 DEC .2018	31 DEC .2017
Raw materials	82,321	74,603
Work in progress and semi-finished goods	9,071	8,934
Finished goods and goods for resale	177,161	164,955
Total	**268,553**	**248,492**

Gross value of inventories, as at 31 December 2018, amounted to € 300,124 thousand (€ 279,216 thousand as at 31 December 2017), whereas the provision amounted to € 31,571 thousand (€ 30,724 thousand as at 31 December 2017).

The net increase in inventories of € 20,061 thousand during 2018 reflected the increase in the average prices of commodities in the period, and in particular, in the segments of space heating products and burners, the unexpected slowdown in demand from the Chinese market recorded during the second half of the year as well as greater variability in the mix of products sold compared to that planned.

The provision set up for obsolete or slow-moving stock is substantially in line with previous year.
The obsolescence risk is measured taking into account the stock rotation, calculated monthly as the ratio of inventories to consumption over the last twelve months, and the product life cycle. On the basis of these two parameters, 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 thousand €)	Raw materials	Work in progress and semi-finished goods	Finished goods and goods for resale	Total
As at 31.12.2017	**7,198**	**1,205**	**22,321**	**30,724**
Increases	2,256	603	8,517	11,375
Decreases	-986	-147	-1,328	-2,461
Release	-1,501	-493	-6,040	-8,034
Exchange rate effect	51	-2	0	49
Other	221	3	-305	-81
Total changes	**40**	**-36**	**843**	**847**
As at 31.12.2018	**7,238**	**1,169**	**23,164**	**31,571**

It should be noted that the item “Release” includes the income following reversal of the provisions previously recognised, whose reasons for being created have ceased to exist.

The item “Other” shows primarily the reclassifications.
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 € 205,613 thousand, net of a bad debt provision of € 19,680 thousand.
Compared with 31 December 2017, the net balance shows a € 7,412 thousand decrease in absolute values. This decrease was due to the reduction in average collection times at Group level as well as the effects of the geographic mix. In addition, in some "Rapid Development Countries" the change in the business model contributed to the reduction in trade receivables.
The incidence, in percentage, of trade receivables on the turnover of the last 12 months was equal to 12.7% compared with 13.2% recorded at 31 December 2017.
The bad debt provision, amounting to € 19,680 thousand, was down a net € 51 thousand compared with 31 December 2017 due to some utilisations for ending with a loss of non-performing and non-recoverable items.
As at 31 December 2018, the provision was deemed to be appropriate for the estimated losses from unsecured or in litigation receivables.
Following are the changes in the bad debt provision:

BAD DEBT PROVISION

(in thousand €)	Short term	Medium/long-term	Total
As at 31.12.2017	**10,075**	**9,656**	**19,731**
Increases	2,097	816	2,913
Decreases	-639	-1,202	-1,840
Release	-233	-739	-972
Exchange rate effect	-119	-213	-331
Other	95	84	179
Total changes	**1,202**	**-1,253**	**-51**
As at 31.12.2018	**11,277**	**8,403**	**19,680**

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.

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.

As at December 2018, the item amounted to € 10,550 thousand versus € 7,457 thousand in 2017, mainly due to:

TAX RECEIVABLES (in thousand €)	**31 DEC. 2018**	**31 DEC. 2017**
Other ST tax receivables	6,214	6,277
Tax receivables for taxes paid in excess	1,785	1,180
Tax receivables for receivables from the Parent company	2,550	0
Total	**10,550**	**7,457**

The overall increase of € 3,093 thousand was mainly due to the reclassification, in order to provide better detail in the financial statements, of "Other current assets" to "Tax receivables for receivables from the parent company" for € 2,550 thousand. This is mainly due to the IRES tax advances by companies that adhere to the tax consolidation of the parent company, Merloni Holding SpA, and the IRES tax receivables recognised by some Italian companies which show tax losses.
The item does not include deferred taxes that are handled separately.

NOTE 2.11 – CURRENT FINANCIAL ASSETS

As at 31 December 2018, the item "Current financial assets" amounted to € 4,616 thousand, down by € 6,530 thousand at the end of 2017.

These consist primarily of short-term bank notes or similar tradable instruments held by subsidiaries in Switzerland and China, issued and backed by leading domestic banks and used in commercial transactions with customers and suppliers in order to settle supply agreements. The decrease compared with 31 December 2018 is to be primarily attributed to the reduction in bank notes in the portfolio of the Chinese subsidiary, due to a lower degree of operations recorded in the last part of 2018.

In addition, "Current financial assets" at 31 December 2017 included fair value measurement, as at the reporting date, of derivative hedging instruments which had a positive value of € 1,786 thousand and were reclassified under "Current financial liabilities" in 2018 .

NOTE 2.12 – OTHER CURRENT ASSETS

"Other current assets" amounted to € 35,190 thousand versus € 44,175 thousand in 2017. The main items are:

OTHER CURRENT ASSETS (in thousand €)	**31 DEC. 2018**	**31 DEC. 2017**
Advances to suppliers	5,834	4,794
Receivables from the Parent Company	0	2,280
Receivables from employees	685	817
Indirect tax receivables	13,668	21,842
Other receivables	15,003	14,441
Total	**35,190**	**44,175**

The decrease in "Other current assets" amounting to € 8,985 thousand is essentially due to:
- the reduction in "Receivables from the parent company" for € 2,280 thousand mainly due to the reclassification under "Tax receivables";
- the decrease in "Indirect tax receivables", for € 8,174 thousand, mainly linked to the fall in the VAT receivable of the parent company Ariston Thermo SpA, due both to an increased use of statements of intent towards domestic suppliers and the completion of a transaction for the sale without recourse of VAT receivables for a total amount of € 3,200 thousand in December.

NOTE 2.13 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, amounting to € 309,164 thousand as at the end of 2018, are represented almost entirely by bank and postal account deposits, as shown in the following table:

CASH AND CASH EQUIVALENTS (in thousand €)	**31 DEC. 2018**	**31 DEC. 2017**
Bank and postal deposits	307,674	315,304
Cash on hand	1,490	924
Total	**309,164**	**316,228**

The item "Bank and postal deposits" is primarily represented by credit balances on short term bank and postal deposits held at the banks used by the Group.

Compared to 31 December 2017, the net balance of cash and cash equivalents fell by € 7,064 thousand mainly following the outlay for the acquisition of BCE Srl and of Novapower R1 Srl incurred during 2018 as well as the cash-out for the exercise of put/call options on some acquisitions that occurred in prior periods.

The amount of cash with a pre-determined use is not significant.

NOTE 2.14 – ASSETS HELD FOR SALE

As at 31 December 2018, the item "Assets held for sale" amounted to € 261 thousand, down by € 44 thousand compared with 31 December 2017. The item includes the assets held for sale by the Romanian, Hungarian and Italian subsidiaries, recognised at the lower of the carrying value and the market value (net of sale costs). These assets derive from calling upon secured guarantees on trade receivables held by the companies and not collected at their natural expiry date.

STATEMENT OF FINANCIAL POSITION – LIABILITIES

NOTE 3.1 – EQUITY

The total consolidated equity as at 31 December 2018 amounted to € 463,920 thousand, up compared with € 427,151 thousand as at 31 December 2017.
The overall change, as already explained in the Directors' Report, is the result of the algebraic sum of items of opposite signs, such as:

- the increase in the profit of the Group, for the period, amounting to about € 82 million;
- the reserve for conversion of financial statements into the appropriate 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, which has had a negative impact of about € 8 million;
- the distribution of dividends for approximately € 28 million;
- the negative change due to the "remeasurement" of the pension provisions, for about € 1.3 million, mainly following changes in the financial assumptions and actuarial gains from plan assets recognised in equity in compliance with revised IAS 19.

The "Share capital" of the Parent Company as at 31 December 2018, fully subscribed and paid up, is represented by no. 41,845,000 ordinary shares of € 1 each. At the approval date of these Financial Statements, the Group owns 13,451,850 treasury shares, representing 32.15% of the share capital. During 2018, no further treasury shares were purchased.

The "Cash flow hedge reserve" shows a change due to the recognition of cash flows deriving from instruments, which, pursuant to the provisions of IAS 39, are recognised under "future cash flows hedging instruments". This reserve corresponds to the fair value of existing derivative hedging agreements, in effect at 31 December 2018. It is negative for € 2,548 thousand, slightly down compared with the previous year, when it was still positive at € 1,282 thousand. For further details concerning the change in the hedging values occurring in 2018, see note 3.11 "Current financial liabilities".

The "Remeasurement reserve" (related to defined benefit pension plans), with a negative € 24,401 thousand, reflects the net effect on actuarial gains (losses) as of 1 January 2012 from the application of the amendment to the IAS 19 - Employee benefits. This item also includes the effect on equity of actuarial gains and losses accrued after 1 January 2012 and recognised in the consolidated statement of comprehensive income. The reserve remained negative and fell by € 1.3 million from 2017, following changes in the demographic and financial assumptions (see also the note 3.4 "Provisions for employee benefits").

The "Reserve for the adjustment to fair value of financial assets", which was positive at € 626 thousand, included the fair value measurement at 1 January 2018 recognised under equity of financial assets classified as debit instruments at fair value through income statement (FVPL).

For additional details about the changes occurring during the period in the single items of the equity, see the financial statements, in particular the "Consolidated statement of changes in equity".

RECONCILIATION WITH THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

The comparison between the equity that includes the profit (loss) of the year, resulting from the statutory financial statements of the Parent Company Ariston Thermo SpA, and the corresponding consolidated data, is the following:

RECONCILIATION STATEMENT (in thousand €)	31 Dec. 2018 Equity	31 Dec. 2018 Profit for the period	31 Dec. 2017 Equity	31 Dec. 2017 Profit for the period
Separate Financial Statements of Ariston Thermo SpA	**281,270**	**41,842**	**270,846**	**41,295**
Alignment with IAS/IFRS accounting standards of the Parent Company	16,227	-279	15,240	-1,823
Consolidation of the subsidiaries and associates' results	126,844	33,245	108,491	44,424
Exclusion of intragroup gains (-) and losses (+) included in inventory	-6,804	1,548	-8,650	-1,189
Reversal of intragroup revaluations (-) and write-downs (+), capital gains (-) and losses (+), from consolidated subsidiaries and other adjustments	46,384	5,219	41,224	-118
Consolidated Financial Statements of Ariston Thermo SpA	**463,920**	**81,575**	**427,151**	**82,589**

The approved and paid dividends are:

DIVIDENDS (in thousand €)	2018	2017	2016
Dividends paid during the period	28,393	28,393	39,750
Dividends proposed to the Shareholders' Meeting		28,393	28,393

NOTES 3.2 – DEFERRED TAX LIABILITIES

Comments on "Deferred tax liabilities" are included in Note 2.4 "Deferred tax assets and liabilities", to which reference should be made.

NOTE 3.3 – NON-CURRENT PROVISION FOR RISKS AND CHARGES

Provisions for current and non-current risks and charges amounted to € 68,293 thousand, down by € 1,739 thousand compared with the previous year.

The following table shows the composition of this item and the changes occurring during the year:

PROVISIONS FOR RISKS AND CHARGES (in thousand €)	**Agent supplementary indemnity provision**	**Product warranty provision**	**Allowance for installation**	**Other provisions**	**Total**
As at 31.12.2017	**2,087**	**42,593**	**4,393**	**20,960**	**70,032**
of which:					
current	**0**	**14,180**	**2,113**	**12,332**	**28,624**
non-current	**2,087**	**28,413**	**2,280**	**8,628**	**41,408**
Increases	294	10,751	3,509	2,489	17,043
Decreases	-382	-7,689	-2,827	-5,941	-16,840
Other	25	-2,546	-63	640	-1,943
Total changes	**-62**	**516**	**619**	**-2,812**	**-1,739**
As at 31.12.2018	**2,024**	**43,109**	**5,012**	**18,148**	**68,293**
of which:					
current	**0**	**15,465**	**2,297**	**11,454**	**29,216**
non-current	**2,024**	**27,644**	**2,714**	**6,694**	**39,076**

The “Current provision for risks and charges” amounted to € 29,216 thousand versus € 28,624 thousand as at 31 December 2017, whereas the “Non-current provision for risks and charges” amounted to € 39,076 thousand versus € 41,408 thousand in the previous year.

More specifically, the “Agent supplementary indemnity provision” recognises the accruals for covering indemnities that may be due to agents at their employment termination. The provision shows a limited decrease of € 62 thousand compared to the previous year.

The “Product warranty provision”, which represents estimated costs to be borne for technical support of sold products 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 increased by € 516 thousand, mainly due to increases and decreases recognised in the period related to normal management activities of the warranty provided for installations.

The “First installation provision” represents the estimated expense that the Group must bear for interventions of this type on the products. They have not substantially changed compared with December 2017.
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.

The net decrease in the period was mainly due to the organisational restructuring plans. In particular, decreases for the year are to be attributed largely to expenses that accrued during the period and related mostly to provisions for organisational restructuring that were previously set up.

The item “Other” includes the effect of exchange rates for the period, releases and reclassifications.

NOTE 3.4 – PROVISIONS FOR EMPLOYEE BENEFITS

The Group has two defined benefit plans for employees; 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 the 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 various types of BAV pension plans, which fall within the scope of provisions for employee benefits with defined benefits (mainly: the BVO 74/79, based on employees' pension commitment, BVO 79, based on one-off payments, the BASIS Versorgung, based on direct insurance and the ZUSATZ Versorgung, based on employee pension commitments), and the assessment is separate for pensioners, early-leavers and still 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) which is 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 and so on).

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 sponsor company of the employee. 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. In case of underfunding, not present in case of Group 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 charges;
- 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 is property occupied or used by the Group.
The expected return on plan assets is defined on the basis of the current market conditions.

As from 1 January 2013, with the adoption of revised *IAS 19 - Employee benefits*, which removed the option of deferring the recognition of actuarial gains and losses using the corridor method, the Group restated the provisions for employee benefits from the end of 2012, transposing the deficits which were not recognised previously for around € 41 million.

In 2018, the remeasurement of net liabilities, emerging in the period, amounted to a negative € 888 thousand against the positive € 4,689 thousand of the previous year, when mainly the change in the financial assumptions and actuarial gains from plan assets, especially at the Swiss subsidiaries, impacted on the liabilities, as shown in the description below.

The item "Foreign exchange gains (losses)" shows the differences in exchange rates due to the revaluation of the Swiss franc compared with the consolidation currency.

The following table shows the changes in the provisions for employee benefits that occurred during the period:

EMPLOYEE BENEFITS (in thousand €)	Switzerland		Germany		Italy		Other		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Amounts recognised in the income statement										
Current service cost	-3,732	-3,590	-185	-352	0	0	-234	62	-4,151	-3,880
Past service cost	464	107	0	0	0	0	0	0	464	107
Financial expense for obligations	-902	-1,086	-538	-532	-218	-232	-143	-62	-1,801	-1,913
Expected return on plan assets	925	1,046	0	0	0	0	82	6	1,008	1,052
Net actuarial losses for the year	0	0	-38	0	0	0	0	0	-38	0
Curtailment, settlement, plan amendment	0	0	0	0	0	0	0	0	0	0
Other pension cost	-260	-256	0	0	0	0	0	0	-260	-256
Net periodical cost	**-3,505**	**-3,780**	**-761**	**-884**	**-218**	**-232**	**-294**	**6**	**-4,778**	**-4,890**
Group obligations										
Current value of defined benefit plans	-189,736	-199,053	-28,094	-29,035	-15,275	-15,964	-5,601	-5,480	-238,705	-249,531
Fair value of plan assets	184,195	193,731	49	49	0	0	591	688	184,835	194,468
TOTAL	**-5,540**	**-5,322**	**-28,045**	**-28,985**	**-15,275**	**-15,964**	**-5,010**	**-4,791**	**-53,870**	**-55,063**
Unrecognised plan assets	0	0	0	0	0	0	0	0	0	0
Unrecognised current and past service cost	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
TOTAL	**-5,540**	**-5,322**	**-28,045**	**-28,985**	**-15,275**	**-15,964**	**-5,010**	**-4,791**	**-53,870**	**-55,063**
Changes in obligations during the year										
BEGINNING OF THE PERIOD	**-199,053**	**-207,750**	**-29,035**	**-30,344**	**-15,964**	**-16,950**	**-5,480**	**-6,072**	**-249,531**	**-261,115**
IAS 8	0	0	0	0	0	0	0	0	0	0
Current service	-3,732	-3,590	-185	-352	0	0	-237	62	-4,154	-3,880
Past service	474	112	0	0	0	0	0	0	474	112
Financial expense	-902	-1,086	-538	-532	-218	-232	-143	-62	-1,801	-1,913
Curtailment, settlement, plan amendment	0	0	0	0	0	0	0	0	0	0
Gains (losses) resulting from experience	1,668	1,730	256	153	-112	50	-2	250	1,810	2,182
Actuarial gains (losses) resulting from changes in demographic assumptions	0	0	-263	0	0	0	4	0	-259	0
Actuarial gains (losses) resulting from changes in financial assumptions	1,516	0	-1	362	399	-15	66	-77	1,981	270
Foreign exchange gains (losses)	2,409	3,537	0	0	0	0	0	0	2,409	3,537
Paid benefits	11,941	8,086	1,711	1,678	844	1,182	196	414	14,693	11,360
Other	-4,058	-91	-40	-1	-224	1	-5	6	-4,328	-85
Total change	**9,317**	**8,697**	**941**	**1,309**	**689**	**986**	**-121**	**592**	**10,826**	**11,584**
END OF THE PERIOD	**-189,736**	**-199,053**	**-28,094**	**-29,035**	**-15,275**	**-15,964**	**-5,601**	**-5,480**	**-238,705**	**-249,531**
Changes in assets during the year										
BEGINNING OF THE PERIOD	**193,731**	**196,809**	**49**	**51**	**0**	**0**	**688**	**512**	**194,468**	**197,372**
Expected return on plan assets	925	1,046	0	0	0	0	82	6	1,008	1,052
Company's contributions	4,834	4,974	0	0	0	0	0	0	4,834	4,974
Employees' contributions	3,769	3,900	0	0	0	0	0	392	3,769	4,292
Curtailment, settlement, plan amendment	0	0	0	0	0	0	0	0	0	0
Payments	-11,941	-8,086	0	0	0	0	-121	-227	-12,062	-8,313
Actuarial gains (losses) from plan assets	-6,416	4,229	0	0	0	0	14	6	-6,402	4,235
Foreign exchange gains (losses)	-2,426	-6,874	0	0	0	0	0	0	-2,426	-6,875
Asset ceiling	1,973	-1,998	0	0	0	0	0	0	1,973	-1,998
Other	-253	-269	0	0	0	0	-74	-1	-327	-270
Total change	**-9,535**	**-3,078**	**0**	**-1**	**0**	**0**	**-98**	**176**	**-9,634**	**-2,903**
END OF THE PERIOD	**184,195**	**193,731**	**49**	**49**	**0**	**0**	**591**	**688**	**184,835**	**194,468**
Remeasurements of liabilities										
BEGINNING OF THE PERIOD - Other Comp, Inc, (OCI)	**-16,038**	**-19,999**	**-8,024**	**-8,539**	**-3,753**	**-3,787**	**-2,702**	**-2,881**	**-30,516**	**-35,205**
Other changes	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
Actuarial gains (losses) resulting from changes in demographic assumptions	0	0	-263	0	0	0	0	0	-263	0
Actuarial gains (losses) resulting from changes in financial assumptions	1,516	0	-1	362	399	-15	66	-77	1,981	270
Gains (losses) resulting from experience	1,668	1,730	256	153	-112	50	-2	250	1,810	2,182
Actuarial gains (losses) from plan assets	-6,416	4,229	0	0	0	0	14	6	-6,402	4,235
Asset ceiling	1,986	-1,998	0	0	0	0	0	0	1,986	-1,998
Totale change	**-1,246**	**3,961**	**-8**	**515**	**287**	**34**	**78**	**179**	**-888**	**4,689**
END OF THE PERIOD	**-17,284**	**-16,038**	**-8,031**	**-8,024**	**-3,466**	**-3,753**	**-2,624**	**-2,702**	**-31,405**	**-30,516**
Plan assets structure										
Shares	20.3%	24.8%	0%	0%	0%	0%	0%	0%	20.3%	24.8%
Securities	64.9%	61.4%	0%	0%	0%	0%	0%	0%	64.9%	61.4%
Cash	1.5%	2.0%	0%	0%	0%	0%	0%	0%	1.5%	2.0%
Other assets	13.3%	11.9%	0%	0%	0%	0%	0%	0%	13.3%	11.9%
END OF THE PERIOD	**100%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**100%**	**100%**
Assumptions used										
Discount rate	0.75%	0.80%	1.90%	1.90%	1.57%	1.31%	1.55%	1.30%		
Inflation rate	0.75%	0.50%	1.50%	0.00%	1.50%	1.50%	2.00%	2.00%		
Future salary raises	0.75%	0.94%	1.75%	1.75%	2.50%	0.00%	2.00%	2.00%		
Future pension raises	0.00%	0.00%	1.50%	1.50%	2.63%	2.63%	1.00%	0.00%		
Sensitivity analysis										
Discount rate - % change	+ 0.10%	+ 0.10%	+ 0.5%	+ 0.5%	+ 0.5%	+ 0.5%	+ 0.25%	+ 0.25%		
Discount rate - Obligation value	-2,691	-2,924	-25,229	-25,816	-14,347	-15,246	-2,384	-2,385		

The liabilities recognised under the "Provision for employee benefits", as at 31 December 2018, stood at € 53,870 thousand, with a decrease of € 1,193 thousand compared with the net liability of € 55,063 thousand as at 31 December 2017.

NOTE 3.5 – NON-CURRENT FINANCIAL LIABILITIES

As at 31 December 2018, there are no "Non-current financial liabilities".

NOTE 3.6 –NON-CURRENT LOANS

Medium/long-term "Non-current loans" amounted to € 357,429 thousand versus € 315,376 thousand as at 31 December 2017, and were as follows:

Financial instruments: current and non-current liabilities as at 31 Dec. 2018	Current 2018 < 1 year	Current 2017 < 1 year	Non current 2018 < 5 years	Non current 2018 beyond	Non current 2018 total	Non current 2017 total	Total 2018	Total 2017	Fair Value 2018
TOTAL	**25,481**	**5,883**	**263,842**	**94,006**	**357,429**	**315,376**	**382,911**	**321,259**	**382,911**

Compared to 31 December 2017, the total value of MLT loans showed an increase of € 42,053 thousand. The changes recorded were mainly caused by the application of the new *IFRS 16 - Leases* and the gradual amortisation of an outstanding loan.

NET FINANCIAL INDEBTEDNESS

Following are the figures of the "Net financial indebtedness" of the Group as at 31 December 2018, in compliance with the provisions of Consob Communication no. Dem/6064293 of 28 July 2006:

NET FINANCIAL INDEBTEDNESS (in thousand €)	**31 DEC. 2018**	**31 DEC. 2017**
Cash and cash equivalents	-313,780	-327,374
Current financial liabilities	32,143	15,678
Current loans	25,481	5,883
Current net financial indebtedness	**-256,157**	**-305,814**
Non-current loans	357,429	315,376
Non-current financial liabilities	0	0
Net financial position (1)	**101,272**	**9,562**
Net financial indebtedness	**101,272**	**9,562**
in addition, for a correlation with the Group indicators:		
Non-current financial assets	-3,538	0
Net Financial Position (NFP)	**97,734**	**9,562**

1) Definition pursuant to Consob Communication DEM/6064293 of 28.07.06 in application of CESR recommendations of 10.02.05.

As at 31 December 2018, the Group recorded a negative Net financial position of € 98 million compared with a negative balance of € 10 million as at 31 December 2017. For further details on changes in the financial situation, please refer to the appropriate section of the Directors' Report on Operations.

NOTE 3.7 – OTHER NON-CURRENT LIABILITIES

“Other non-current liabilities” amounted to € 63,118 thousand versus € 81,261 thousand of the previous year. These liabilities are represented primarily by debts to be extinguished beyond the year.
The reduction in the period, amounting to € 18,143 thousand, was essentially due to the change in payables as a result of the valuation of the individual obligations connected to put and call options on the shares of minority shareholders in the recently acquired companies.
This item includes the liabilities, reassessed annually, relating to:

- the earn-out value as set forth in the agreement for the acquisition of the Danish Gastech, amounting overall to € 2,311 thousand;
- the deferred acquisition of the remaining 14% of the NY Thermal Group, calculated overall at € 3,461 thousand, resulting from the valuation of the put and call options agreed upon at the acquisition date and subject to adjustment. The options to be settled in 2019 have been reclassified under “Other current liabilities” (note 3.13) for € 2,167 thousand and in 2018 Ariston Thermo Group exercised the first tranche of the put/call commitment envisaged in the acquisition agreement;
- the deferred acquisition of the remaining 49% of HTP Comfort Solutions LLC, calculated overall at € 40,550 thousand, resulting from the valuation of the put and call options agreed upon at the acquisition date and subject to adjustment;
- the deferred acquisition of the remaining 40% of the Atmor Group, calculated overall at € 1,576 thousand, resulting from the valuation of the put and call options agreed upon at the acquisition date and subject to adjustment. The share of options to be settled in 2019 was reclassified under “Other current liabilities” (note 3.13) for € 196 thousand;
- the deferred acquisition of the remaining 15% of BCE Srl, calculated overall at € 107 thousand, resulting from the valuation of the put and call options agreed upon at the acquisition date and subject to adjustment.

As in the previous year, the item “Other non-current liabilities” includes the liabilities recognised following a long-term three-year incentive plan that will be paid to the CEO and Senior Management of the Group. The plan decreased slightly compared with 31 December 2017.

NOTE 3.8 – TRADE PAYABLES

“Trade payables” as at 31 December 2018 amounted to € 297,255 thousand showing a decrease of € 29,567 thousand, compared with 31 December 2017. 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.

In the previous year, the concentration of investments in the final part of the year together with the change in the geographic allocation of production led to an increase in trade payables and an extension in average payment times (97 days). These fell during 2018 (95 days) on a constant accounting standard basis.

NOTE 3.9 – TAX PAYABLES

"Tax payables" amounted to € 18,166 thousand versus € 12,584 thousand in 2017.

TAX PAYABLES (in thousand €)	31 DEC. 2018	31 DEC. 2017
Income tax payables	11,109	5,795
Other tax payables	6,131	6,788
Tax payables due to Group companies	926	0
Total	**18,166**	**12,584**

This item comprises the income tax payables related to foreign companies and the IRES and IRAP tax payables from Italian companies, as well as "other tax payables" represented by withholdings for employees, tax withholdings for remunerations to third parties and other sundry tax payables. The € 5,582 thousand increase is mainly attributable to higher income tax payables and higher taxes mainly related to foreign companies.
"Tax payables due to Group companies" was reclassified from "Other current assets" and was equal to the income tax payables due by the Italian companies to Merloni Holding SpA and based on the tax consolidation.

NOTE 3.10 – PROVISIONS FOR CURRENT RISKS AND CHARGES

This item amounts to € 29,216 thousand and is described in Note 3.3 "Non-current provision for risks and charges", to which reference should be made.

NOTE 3.11 – CURRENT FINANCIAL LIABILITIES

As at 31 December 2018, "Current financial liabilities" amounted to € 32,143 thousand versus € 15,678 thousand as at 31 December 2017.

Liabilities are the following:

CURRENT FINANCIAL LIABILITIES (in thousand €)	31 DEC. 2018	31 DEC. 2017
Bank credit lines	24,286	15,023
Short term bank loans	3,987	655
Other current financial liabilities	3,869	0
Total	**32,143**	**15,678**

Payables due to banks for short-term loans showed a € 16,465 thousand increase due to higher use of credit lines in foreign currency as an instrument for managing exchange rate risk at consolidated level.

Short-term uncommitted credit lines amounted to approximately € 340 million and are represented almost entirely by current account credit lines and advances. The item "Other current financial liabilities" includes the fair value measurement as at the reporting date of derivative instruments hedging the commodities for €-998 thousand, the exchange rates for €-570 thousand and the interest rates for €-1,849 thousand. The change in commodity, foreign exchange and interest rates hedges was offset by the change in the underlying hedged item. The fair value measurement of the derivative instruments is directly set off in the equity reserve related to the cash flow hedge for a total of € 3,417 thousand.

For a more detailed explanation of hedging instruments, see section on the instruments for financial risk management.

NOTE 3.12 – CURRENT LOANS

The balance of "Current loans" amounted to € 25,481 thousand versus € 5,883 thousand as at 31 December 2017.

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 3.6 "Non-current loans".

NOTE 3.13 – OTHER CURRENT LIABILITIES

"Other current liabilities" amounted to € 152,711 thousand up by € 12,528 thousand from € 140,183 thousand as at 31 December 2017.

OTHER CURRENT LIABILITIES (in thousand €)	31 DEC. 2018	31 DEC. 2017
Advances from customers	3,999	8,551
Current payables for social security contributions	14,193	14,243
Current payables due to personnel	35,476	40,200
Current payables due to the parent company	0	1,574
Indirect tax payables	13,687	16,024
Other current payables	85,356	59,592
Total	**152,711**	**140,183**

The item "Advances from customers" shows all advances received from customers for supplies not yet delivered. The € 4,552 thousand decrease refers mainly to the larger advances received from customers by the Vietnamese subsidiary.
The item "Current payables due to personnel" includes the amounts accrued by personnel and not yet disbursed. The decrease in the period of € 4,724 thousand was mainly due to the higher liabilities recorded last year by Ariston Thermo SpA for indemnities recognised for restructuring operations which had already been established.
"Current payables due to the parent company" was reclassified under "Tax payables" for better representation.
The item "Indirect tax payables" includes the VAT payables to tax authorities. The € 2,337 thousand decrease is due to lower payables due for the British and Spanish company.
The item "Other current payables" includes mostly adjustments of costs and revenues for the year in order to comply with the accrual principle.
However, the item shows a marked increase to be attributed mainly to the put-call amounts from the acquisition agreements which envisage a part payment in 2019, as set out under "Other non-current liabilities" (note 3.7).

NOTE 3.14 – LIABILITIES HELD FOR SALE

There are no “Liabilities held for sale”.

OTHER INFORMATION

COMMITMENTS AND RISKS

The Group reported the following potential liabilities as at the end of the reporting period:

GUARANTEES ISSUED

The sureties issued in favour of third parties amounted to € 198 thousand.
Third-party assets in deposit accounts amounted to € 11,408 thousand.

COMMITMENTS

As at 31 December 2018, there were no 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”.

LEGAL DISPUTES

Provisions recognised in the financial statements are deemed as fair in reference to the legal disputes that may have potential critical outcomes for the Group, also in terms of the significance of such outcomes.

PUBLIC FUNDS – INFORMATION UNDER ARTICLE 1, PARAGRAPHS 125-129 OF LAW NO. 124/2017

With reference to the fulfilment of the transparency and disclosure obligations on public funds, as regulated by article 1, paragraphs 125-129, of Law no. 124/2017 and subsequently supplemented by the "Security" Decree Law (no. 113/2018) and by the "Simplification" Decree Law (no. 135/2018), which introduced, as from the financial statements for 2018, a series of disclosure and transparency obligations on subjects who have economic dealings with the Public Administration and in light of the interpretation offered by Assonime with its Circular no. 5 of 22 February 2019, it is held that the provision does not apply in cases of:

- subsidies, grants and economic benefits of any kind, the advantages of which are available to all companies which meet particular conditions on the basis of predetermined general criteria (for example, measures envisaged by ministerial decrees aimed at specific industrial sectors and aimed at completing activities connected to research and development projects);
- general measures that can be used by all companies and which fall within the general structure of the reference system defined by the State (for example, the mechanism to facilitate the reinvestment of profits envisaged by the ACE (Aid to Economic Growth) provision);
- European/non-European public resources.

Considering the above, the Group analysed its situation and decided to set out in this paragraph the amount received during 2018 from the subjects indicated in the following table. This sets out both the amount of the benefits and a brief description of the reasons behind them.

ISSUING ENTITY	RECEIVED CONTRIB. (1) (in euro)	REASON
CUSTOMS AGENCY	251,429	Repayment of customs duties for iron and steel materials
FONDIRIGENTI	40,100	Financing of training programmes
FONDIMPRESA	18,900	Financing of training programmes
G.M.E. - GESTORE MERCATI ENERGETICI	290,435	Sale of energy efficiency certificates
G.S.E. - GESTORE SERVIZI ENERGETICI	866,363	Renewable electricity production incentive tariff
G.S.E. - GESTORE SERVIZI ENERGETICI	39,536	Sale of electricity - dedicated withdrawal agreement
TOTALE	**1,506,763**	

(1) Amounts received or offset in 2018

For State aid and *de minimis* regulation aid contained in the national State Aid Registry as set out in art. 52 of Law no. 234 of 24 December 2012, reference should be made to the data published in the "Transparency" section of the registry itself.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's financial instruments recognised in the financial statements by category and level of certainty of the measurements at fair value as at 31 December 2018 were:

2018		CARRYING VALUE PER TYPE						FAIR VALUE			
(in thousand €)	Notes	Fin.Instr. at fair value through p&l	Fin. Instr. at fair value through OCI	Available for sale	Loans & receivables	Fin. Liabilities at amortised cst	Totale	Level 1	Level 2	Level 3	Totale
Measured at :		Fair value	Fair value	Fair value	Amortised cost	Amortised cost					
Financial assets											
Cash and cash equivalents	2.14	0	0	0	309,164	0	309,164	0	0	0	0
Trade receivables	2.9	0	0	0	0	0	0	0	0	0	0
Current financial assets	2.11	0	452	19	4,145	0	4,616	0	1,563	0	1,563
Financial assets	2.5	0	0	0	3,538	0	3,538	0	0	0	0
Non-current financial assets	2.6	0	0	0	0	0	0	0	0	0	0
Assets held for sale	2.14	0	0	0	0	0	0	0	0	0	0
Total		**0**	**452**	**19**	**316,847**		**317,318**	**0**	**1,563**	**0**	**1,563**
Financial liabilities											
Trade payables	3.8	0	0	0	0	0	0	0	0	0	0
Current financial liabilities	3.11	0	3,869	0	0	28,273	32,143	0	3,869	0	3,869
Current loans	3.12	0	0	0	0	25,481	25,481	0	0	0	0
Non-current financial liabilities	3.5	0	0		0	0	0	0	0	0	0
Non-current loans	3.6	0	0	0	0	357,429	357,429	0	0	0	0
Total		**0**	**3,869**	**0**	**0**	**411,183**	**415,053**	**0**	**3,869**	**0**	**3,869**
Financial instruments balance		**0**	**-3,417**	**19**	**316,847**	**-411,183**	**-97,735**	**0**	**-2,306**	**0**	**-2,306**

The financial instruments of the Group, recognised in the financial statements with a similar breakdown as at 31 December 2017, are shown in the table below:

2017		CARRYING VALUE PER TYPE							FAIR VALUE			
(in thousand €)	Notes	Fin.Instr. at fair value through p&l	Derivatives at fair value	Available for sale	Held to maturity	Loans & receivables	Fin. Liabilities at amortised cst	Total	Level 1	Level 2	Level 3	Totale
Measured at :		Fair value	Fair value	Fair value	Amortised cost	Amortised cost	Amortised cost					
Financial assets												
Cash and cash equivalents	2.13	0	0	0	0	316,228	0	316,228	0	0	0	0
Trade receivables	2.9	0	0	0	0	213,025	0	213,025	0	0	0	0
Current financial assets	2.11	0	0	0	0	11,146	0	11,146	0	0	0	0
Non-current financial assets	2.6	0	0	1,257	0	36	0	1,292	0	0	1,292	1,292
Assets held for sale	2.14	305	0	0	0	0	0	305	0	0	305	305
Total		**305**	**0**	**1,257**	**0**	**540,435**	**0**	**541,996**	**0**	**0**	**1,597**	**1,597**
Passività finanziarie												
Trade payables	3.8	0	0	0	0	0	326,822	326,822	0	0	0	0
Current financial liabilities	3.11	0	0	0	0	0	15,678	15,678	0	0	0	0
Current loans	3.12	0	0	0	0	0	5,883	5,883	0	0	0	0
Non-current financial liabilities	3.5	0	0	0	0	0	0	0	0	0	0	0
Non-current loans	3.6	0	0	0	0	0	315,376	315,376	0	0	0	0
Total		**0**	**0**	**0**	**0**	**0**	**663,759**	**663,759**	**0**	**0**	**0**	**0**
Financial instruments balance		**305**	**0**	**1,257**	**0**	**540,435**	**-663,759**	**-121,763**	**0**	**0**	**1,597**	**1,597**

As at the date of preparation of these financial statements, as per the table above, no differences are shown between the carrying value of the financial instruments and the corresponding fair value. In particular, among the non-current financial assets, obligations are 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 at point 3.11 of these notes, "Current financial liabilities" include the fair values, at the end of the reporting period, of the derivative financial instruments used to hedge the purchase of commodities, which were negative for € 998 thousand, of those used to hedge exchange rates, negative for € 570 thousand, and of those used to hedge the interest rates, which are negative for €-1,527 thousand.
For details on these transactions, see section "Hedging instruments".
The Group is exposed to operations-related financial risks, including credit risk, liquidity risk and market risk, and constantly monitors them.
This section provides qualitative and quantitative information about the impact of these risks on the Group.

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.

RISK MANAGEMENT POLICIES

During 2018, the credit policy continued to be focused on increasing the portion of insured receivables, with both the integration of the subsidiary in Indonesia within the scope of insured companies.
The portion of insured receivables, as at 31 December 2018, was 64% 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 life-time 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.

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 2018 was € 73,962 thousand.

The table below summarises the types of instruments protecting against credit risk used by the Group:

TYPE	31 DEC. 2018	%	31 DEC. 2017	%
Receivables under insurance policies	97	47%	94	44%
Other	35	17%	44	21%
TOT insured receivables	*132*	*64%*	*138*	*65%*
Non-insured receivables	*74*	*36%*	*75*	*35%*
Total receivables	**206**	**100%**	**213**	**100%**

"Other" mainly includes insured receivables through letters of credit and bank guarantees.

PAST-DUE 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 € 20,057 thousand (versus € 24,423 thousand as at 31 December 2017) whereas the amount of receivables past-due beyond 60 days is € 8,158 thousand (versus € 6,775 thousand as at December 2017).

For the purposes of representing trade receivables for issued invoices by past-due ranges, the following table is provided:

TRADE RECEIVABLES AGEING	31 DEC. 2018	%	31 DEC. 2017	%
Performing	177	86%	182	85%
Past-due 0-30	15	7%	17	8%
Past-due 31-60	5	3%	7	4%
Past-due 61-90	5	2%	3	1%
Beyond 120 and legal	4	2%	4	2%

METHOD USED TO CALCULATE THE BAD DEBT PROVISIONS

The allocation for the provision is made on the basis of both analytical and generic assessments, as set out below:

Specific write-down: 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.

Generic write-down: for receivables that are past-due within the year, assessments are applied based on historic analyses in relation to the ageing of past-due receivables and the level of risk of each individual country, market and type of customer.

Following is the summary of the specific and generic valuations used to determine the bad debt provision:

ANALYSIS OF BAD DEBT PROVISION (in thousand €)		31 DEC.18	31 DEC.17
Total receivables	Gross	225,293	232,756
	Provision	19,680	19,731
	Net	**205,613**	**213,025**
Receivables impaired on a specific basis	Gross	11,022	10,908
	Provision	9,344	9,656
	Net	**1,678**	**1,252**
Receivables impaired on a generic basis	Gross	214,271	221,848
	Provision	10,336	10,075
	Net	**203,935**	**211,773**

LIQUIDITY RISK

As at 31 December 2018, the Group's **Overall Available Liquidity**, defined as the sum of cash and cash equivalents and the unused portion of committed lines of credit only (equal to € 280 million at year-end) amounted to approximately € 589 million. With short- and long-term bank loans, totalling € 936 million as at the same date, of which less than half has been used, the Group continues to carefully manage the liquidity risk.
The bank credit lines currently available to the Group, the cash and cash equivalents from operating activities, are therefore assessed as fair and such as to allow the Group to promptly and financially meet all its obligations by the due dates.
The Group manages its liquidity by using cash and cash equivalents in short-term technical forms or involving easy disposal.
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 2018

(in million €)	< 1 month	2-6months	6-12months	1-5 years	>5 years	Total
Trade payables	**95**	**193**	**8**	**1**	**0**	**297**
Financial payables						
-current financial liabilities	29	3				32
-current loans		5	25			30
-non-current financial liabilities						
-non-current loans				275	96	371
Total financial payables	**29**	**8**	**25**	**275**	**96**	**433**
Total	**124**	**201**	**33**	**276**	**96**	**730**

The details for the expiry dates of financial and trade payables as at 31 December 2017 are shown in the table below:

EXPIRY DATES 2017

(in million €)	< 1 month	2-6months	6-12months	1-5 years	>5 years	Total
Trade payables	**109**	**210**	**7**	**1**	**0**	**327**
Financial payables						
-current financial liabilities	7					7
-current loans		5	5			10
-non-current financial liabilities						
-non-current loans				234	100	334
Total financial payables	**7**	**5**	**5**	**234**	**100**	**351**
Total	**116**	**215**	**12**	**235**	**100**	**678**

MARKET RISK

The Group is exposed to several market risks 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 risk management policies applied to interest rates, exchange rates and commodities, are centrally defined in order to enable the Group to pursue and enhance profitability.

The three types of market risk can be characterised as described here below.

EXCHANGE RATE RISK

The international context where the Group operates exposes the Group to the risk that changes in the exchange rates may affect its financial results.
The exposure to exchange rate risk determines:

- 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);
- impacts on the operating result due to the translation of trade or financial receivables/payables denominated in another currency (transaction risk);
- 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, the rouble, the renminbi and some 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 forth in its 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 to recognise derivatives at their fair value in the statement of financial position. The Group considered it possible to use hedge accounting since, in accordance with the new IFRS 9, which came into force as from 1 January 2018, a hedging relationship is effective only if it complies with the following requirements:

- existence of an economic relationship between the hedging instrument and the hedged element;
- the credit risk is not dominant compared to the changes in value;
- the hedge ratio reflects the balance between the covered amount of the hedged element and the amount of the hedging instrument.

When these instruments no longer qualify for hedge accounting, they are recognised as trading instruments.
In order to minimise the exposure to the transaction risk, the Group uses derivative forward instruments which allow for a protection against revaluations/write-downs at the due date of the credit and debit positions of a financial 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 the currency	Notional amount in €
CHF	**32.1**	**28.1**
GBP	**17.7**	**19.8**
HUF	**300**	**0.9**
CZK	**29.0**	**1.1**
CAD	**1.2**	**0,8**
CNY	**(323.8)**	**(40.2)**
USD	**46.4**	**39.1**

At the same date, the fair value of the foreign exchange derivatives was overall negative, standing at € 544 thousand.

Lastly, in 2013, the cross currency swap instrument was used to fully hedge exchange rate risk on the notional payment and on the interest flow deriving from the issue of the bond in the form of a loan note (US Private Placement) for $50,000 thousand.
Since the transaction was "closed" and all relevant future cash flows already set in euro, the loan, although formally denominated in a foreign currency, was presented as if it was taken out directly in euro at the exchange rate of the hedging instrument. Therefore, the Group did not measure the derivative at fair value nor adjust the loan amount at the spot exchange rate at the reporting date.

In relation to exchange rate risk, the Group undertook sensitivity analysis to determine any impact on the final profit before tax from potential fluctuations in exchange rates between the euro and 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 DEC. 2018	
Foreign currency revaluation	6	6
Foreign currency devaluation	(6)	(6)

COMMODITY PRICE FLUCTUATION RISK

Profit and losses 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, aluminium and nickel, the Group provided, through the parent company Ariston Thermo SpA, 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 the next years.

Thus, the Group partly hedged purchases also for the years 2019 and 2020.

The Group hedged price risk with forward and average forward financial instruments that allow it to achieve the goals set out in its risk management policy. In pursuing said goals, 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 to recognise derivatives at their fair value in the statement of financial position.
The Group considered it possible to use hedge accounting since, in accordance with the new IFRS 9, which came into force as from 1 January 2018, a hedging relationship is effective only if it complies with the following requirements:

- existence of an economic relationship between the hedging instrument and the hedged element;
- the credit risk is not dominant compared to the changes in value;
- the hedge ratio reflects the balance between the covered amount of the hedged element and the amount of the hedging instrument.

When these instruments no longer qualify for hedge accounting, they are recognised as trading instruments.

As at the reporting date, the notional amount of the forward contracts on commodities entered into by the Group was as follows:

Commodity	Financial instruments	Quantity/ton	Share of total (mln di €)
Copper	Forward	1,000	5.4
Nickel	Future Average	199	1.7
Silver	Future Average	5.8	2.7
Aluminium	Forward	635	1.1

At the same date, the fair value measurement of the derivatives on commodities showed a negative € 998 thousand and are classified under “Other current financial liabilities”.

Derivatives contracts entered into and closed during the year resulted in negative items amounting to approximately € 0.9 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 loans of the Group.

The amount of variable rate debt exposure of the Group, not hedged against interest rate risk, represents the main element of risk for a potentially negative impact from an increase in the market interest rates. The interest rate risk to which the Group is exposed originates primarily from the medium/long-term financial payables.

The policy adopted by the Group for managing this risk aims at obtaining an appropriately balanced structure of the debt exposure in order to reduce, on the one hand, the amount of financial payables subject to interest rate fluctuations and, on the other hand, to contain the cost of supplies.
Following the mid-long term loans, the Group has, as at 31 December 2018, Interest Rate Swap (IRS) transactions with leading financial counterparties for a notional total amount of € 174 million. These derivatives allow for hedging the risk of increase in interest rates, converting this portion of the loans from a floating rate to a fixed rate.

As at 31 December 2018, 60% of medium/long-term gross debt, in relation to third parties, is at a fixed rate and 40% is at a variable rate consistent with the Group policy.

The sensitivity analysis of the interest rate risk is carried out according to the delta margin approach and aims at identifying the impact on financial charges deriving from the variable rate debt, over the next 12 months, and caused by changes in interest rates. The hypothesised scenario considers a generalised change in the interest rates of 50 bps and estimates the impact of such change on the income statement of the Group in the amount of € 0.7 million.

The following table shows the sensitivity analysis, as at 31 December 2018, concerning the interest rate risk:

Interest rate risk

(in million €)	2018				2017			
	Max.	Min.	Avg.	End of period	Max.	Min.	Avg.	End of period
Interest rate	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7

HEDGING INSTRUMENTS

In summary, as at 31 December 2018, the following financial hedging instruments are in place:
• against exchange rates: Swiss franc, British pound sterling, Hungarian forint, Czech koruna, Chinese renminbi. US dollar, Canadian dollar and USPP bond (exchange and interest rates);
• against commodities: copper, nickel, silver and aluminium;
• against interest rates: medium/long-term floating rate loans.

The hedging instruments applied to exchange rates were set up in order to reduce the economic and transactional risk of the Group, and they meet the formal requirements set forth in the IAS/IFRSs and are therefore recognised in hedging accounting.
The following table shows the details of hedging instruments in use as at 31 December 2018. The amounts are expressed in million euro:

HEDGING INSTRUMENTS 2018

(in million €)	Hedged risk nature	Fair value 31.12.18	Non current financial assets	Current financial assets	Non current financial liabilities	Current financial liabilities	Total
Interest Rate Swap	Interest rates	-1.5				-1.5	-1.5
Average Forward	FX	-0.5				-0.5	-0.5
Forward	commodity	-0.8				-0.8	-0.8
Average Forward	commodity	-0.2				-0.2	-0.2
Total		**-3.0**				**-3.0**	**-3.0**

The following table shows the details of hedging instruments in use as at 31 December 2017. The amounts are expressed in million euro:

HEDGING INSTRUMENTS 2017

(in million €)	Hedged risk nature	Fair value 31.12.17	Non current financial assets	Current financial assets	Non current financial liabilities	Current financial liabilities	Total
Interest Rate Swap	Interest rates	-0.4				-0.4	-0.4
Average Forward	FX	0.4				0.4	0.4
Forward	commodity	1.6				1.6	1.6
Average Forward	commodity	0.2				0.2	0.2
Total		**1.8**				**1.8**	**1.8**

RELATED PARTY DISCLOSURES

Based on the transactions carried out by Ariston Thermo Group during 2018, the related parties are mainly represented by:
- companies directly and/or indirectly related to the majority shareholder of Ariston Thermo SpA;
- Directors and Statutory Auditors and/or companies related to the same.

The following table shows the figures of the main transactions with related parties:

RELATED PARTY DISCLOSURES

(in thousand €)	31 DEC. 2018				31 DEC. 2017			
	Receivables	Payables	Revenue	Costs	Receivables	Payables	Revenue	Costs
Fondazione A. Merloni	6	0	5	500	0	0	5	500
Novapower R1 Srl	0	0	0	0	0	181	3	801
Janus Immobili per l'Industria	0	0	0	974	0	80	0	961
Novapower L2 Srl	7	0	6	0	0	0	0	0
San Lorenzo Srl	7	0	6	0	0	0	0	0
Eliosuasa Srl	7	0	6	0	0	0	0	0
Novacapital Srl	26	31	21	75	7	30	16	50
Total	**54**	**31**	**44**	**1,549**	**7**	**291**	**24**	**2,312**

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 the companies of the Group. These transactions are regulated by market conditions and based on the characteristics of the services provided.

The main transactions with related parties regarded Novapower R1 Srl and were represented by the expense pertaining to the use of photovoltaic plants installed on the roofs of four of the Italian facilities of Ariston Thermo Group. During 2018, the company was merged into Ariston Thermo SpA and, therefore, this expense will be offset by the income for the parent company deriving from the production of electric power, both as incentives recognised by Gestore dei Servizi Energetici (GSE, Manager of Energy Services) and as compensation for the energy that is not produced and made available in the network. Ariston Thermo Group benefits directly, as the owner of the energy produced by the plants, from preferential rates compared with the market price of electric power thus promoting at the same time the commitment to energy efficiency and the use of renewable energy sources.

Other relationships worthy of mention concern Janus Immobili per l'Industria and consist of rental charges for the logistic site of Borgo Tufico (Ancona).

FEES

Fees attributable to the year and represented by the remunerations to Directors and Statutory Auditors of the Parent Company, as at 31 December 2018, are summarised as follows:

FEES (in thousand €)

OFFICE	PERIOD	TERM OF OFFICE	FEES FOR THE OFFICE HELD (1)	OTHER FEES (2)
Directors	2018-19-20	Fin. Stat. approval 2020	1,063	1,125
Statutory auditors	2018-19-20	Fin. Stat. approval 2020	99	
Total			**1,162**	**1,125**

(1) Fixed remuneration pursuant to art. 2389, 3rd paragraph, civil code and/or attendance bonus, including reimbursements, variable remuneration and further contributions.
(2) Gross remuneration to employees.

In addition, the Chairman, the Chief Executive Officer and a group of senior managers are the beneficiaries of an incentive system based on the allocation of phantom options, which envisages a cash payment within the time frames set forth for exercise of the options (in the month following approval of the financial statements and by May 2019 for the incentive plan for 2015, from May 2019 to May 2022 for the incentive plan for 2016, from May 2020 to May 2023 for the incentive plan for 2017, and from May 2021 to May 2024 for the incentive plan for 2018), according to the "creation of value" realised by the Group at the end of a three-year period from the assignment. The payment of this bonus is subject to the continuation of the professional relationship with the Group.
The entire charge of each phantom option plan has been recognised in the period based on the reasonable expectation that this plan will be annually replicated in the foreseeable future thus generating a recurrent cost. The amount of the charge has been estimated by assuming the achievement of the objectives for the optimisation of the company that are implicit in the medium-term plan that the company updates each year.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Significant events occurring after the reporting period, if any, are detailed in the "Directors' Report on Operations" attached to the financial statements.

LIST OF COMPANIES CONSOLIDATED ON A LINE BY LINE BASIS AS AT 31 DECEMBER 2018

n°	Company	Registered office	Curr.	Share capital	Group's controlling interest	Investing Companies	Direct controlling Interest	Subsidiaries' controlling Interest	Minority interest
1	Ariston Thermo SpA	Italy	EUR	41,845,000	parent. comp.				
2	Ariston Thermo Argentina Srl	Argentina	ARS	9,705,269	100.00	Ariston Thermo International Srl Thermowatt SpA		99.37 0.63	
3	Ariston Thermo Benelux sa	Belgium	EUR	176,000,000	100.00	Ariston Thermo SpA Ariston Thermo International Srl	70.01	 29.99	
4	Ariston Thermo Canada Ltd	Canada	CAD	34,700,100	100.00	Ariston Thermo International Srl		100,00	
5	Ariston Thermo (China) Co., Ltd	China	CNY	145,885,010	100.00	Ariston Thermo International Srl		100.00	
6	Ariston Thermo Croatia Ltd	Croatia	HRK	800,000	100.00	Ariston Thermo International Srl		100.00	
7	Ariston Thermo CZ sro	Czech Republic	CZK	30,000,000	100.00	Ariston Thermo International Srl		100.00	
8	Ariston Thermo Deutschland GmbH	Germany	EUR	255,700	100.00	Elco International GmbH		100.00	
9	Ariston Thermo Egypt LLC	Egypt	EGP	50,000	100.00	Ariston Thermo International Srl Ariston Thermo SpA	 0.01	99.99	
10	Ariston Thermo Espana sl Sociedad Unipersonal	Spain	EUR	800,000	100.00	Ariston Thermo SpA	100.00		
11	Ariston Thermo Gulf Water Heating LLC	UAE	AED	400,000	100.00	Ariston Thermo International Srl Terzi		49.00	 51.00
12	Ariston Thermo Heating Tech.Nigeria Ltd	Nigeria	NGN	10,000,000	100.00	Ariston Thermo International Srl		100.00	
13	Ariston Thermo Hungária kft	Hungary	HUF	131,000,000	100.00	Ariston Thermo International Srl		100.00	
14	Ariston Thermo India Private Ltd	India	INR	100,000,000	100.00	Ariston Thermo SpA Ariston Thermo International Srl	23.00	 77.00	
15	Ariston Thermo Industrial Vietnam Ltd	Vietnam	VND	41,600,000,000	100.00	Ariston Thermo International Srl		100.00	
16	Ariston Thermo Innovative Technologies Srl	Italy	EUR	3,610,000	100.00	Ariston Thermo SpA	100.00		
17	Ariston Thermo International Srl	Italy	EUR	27,000,000	100.00	Ariston Thermo SpA	100.00		
18	Ariston Thermo Isitma ve Sogutma Sistemleri Ithalat, Ihracat ve Dagitim Ltd. Sti.	Turkey	TRY	66,157,500	100.00	Ariston Thermo International Srl Ariston Thermo SpA	 0.39	99.61	
19	Ariston Thermo Kazakhstan LLP	Kazakhstan	KZT	212,100	100.00	Ariston Thermo International Srl		100.00	
20	Ariston Thermo Maroc sa	Morocco	MAD	3,000,000	100.00	Ariston Thermo International Srl		100.00	
21	Ariston Thermo MEA SPC	Bahrain	USD	2,526,596	100.00	Elcotherm AG		100.00	
22	Ariston Thermo Parts & Services sa	Switzerland	EUR	940,551	100.00	Elcotherm AG		100.00	
23	Ariston Thermo Polska Sp. z o.o.	Poland	PLN	12,000,000	100.00	Ariston Thermo International Srl		100.00	
24	Ariston Thermo Pte Ltd	Singapore	SGD	100,000	100.00	Ariston Thermo International Srl		100.00	
25	Ariston Thermo Romania Srl	Romania	RON	29,041,740	100.00	Ariston Thermo International Srl		100.00	
26	Ariston Thermo Rus LLC	Russia	RUB	1,403,787,727	100.00	Ariston Thermo International Srl		100.00	
26	Ariston Thermo Tunisie sa	Tunisia	EUR	500,000	100.00	Elcotherm AG Terzi		66.70	 33.30
28	Ariston Thermo UK Ltd	UK	GBP	7,500,000	100.00	Ariston Thermo SpA	100.00		
29	Ariston Thermo Ukraine LLC	Ukraine	UAH	38,705,753	100.00	Ariston Thermo International Srl		100.00	
30	Ariston Thermo USA LLC	USA	USD	19,500,100	100.00	Elcotherm AG		100.00	
31	Ariston Thermo Vietnam Ltd	Vietnam	VND	31,471,000,000	100.00	Ariston Thermo International Srl		100.00	
32	Atag Construction B.V.	Netherlands	EUR	1	100.00	Atag Verwarming Nederland B.V.		100.00	
33	Atag Electronics B.V.	Netherlands	EUR	1	100.00	Atag Verwarming Nederland B.V.		100.00	
34	Atag Engineering B.V.	Netherlands	EUR	1	100.00	Atag Verwarming Nederland B.V.		100.00	
35	Atag Heating B.V.	Netherlands	EUR	10,000	100.00	Ariston Thermo Benelux sa Terzi		83.95	 16.05
36	Atag Heating UK	UK	GBP	100	100.00	Atag Heating B.V.		100.00	
37	Atag Heizungstechnil GmbH	Germany	EUR	512,000	100.00	Atag Heating B.V.		100.00	
38	Atag Verwarming Belgie BVBA	Belgium	EUR	18,600	100.00	Atag Heating B.V.		100.00	
39	Atag Verwarming Nederland B.V.	Netherlands	EUR	18,000	100.00	Atag Heating B.V.		100.00	
40	Atmor (Dongguan) El. Technology Co. Ltd	China	USD	1,000,000	100.00	Atmor Electronic Technology Co. Ltd		100.00	
41	Atmor Electronic Technology Co. Ltd	Hong Kong	HKD	10,000	100.00	Atmor Industries LTD		100.00	

n°	Company	Registered office	Curr.	Share capital	Group's controlling interest	Investing Companies	Direct controlling Interest	Subsidiaries' controlling Interest	Minority interest
42	Atmor Industries LTD	Israel	USD	1,790,409	100.00	Elcotherm AG		60.00	
						Terzi			40.00
43	BCE Srl	Italy	EUR	10,400	100.00	Elcotherm Bruciatori SpA		85.00	
						Terzi			15.00
44	Chaffoteaux sas	France	EUR	54,682,110	100.00	Ariston Thermo SpA	99.99		
						Elco International GmbH		0.01	
45	Cuenod sas	France	EUR	15,422,390	100.00	STV France sas		100.00	
46	DHE Srl	Italy	EUR	100,000	100.00	Thermowatt SpA		100.00	
47	Domotec AG	Switzerland	CHF	50,000	100.00	Elcotherm AG		100.00	
48	Ecoflam Bruciatori SpA	Italy	EUR	3,690,000	100.00	Ariston Thermo SpA	100.00		
49	Elco Austria GmbH	Austria	EUR	35,000	100.00	Elcotherm AG		100.00	
50	Eco B.V.	Netherlands	EUR	2,046,004	100.00	Elco Burners B.V.		100.00	
51	Elco Belgium nv/sa	Belgium	EUR	3,000,000	100.00	Ariston Thermo Benelux sa		99.99	
						Elco B.V.		0.01	
52	Elco Burners B.V.	Netherlands	EUR	22,734	100.00	Ariston Thermo Benelux sa		100.00	
53	Elco Burners GmbH	Germany	EUR	25,000	100.00	Elco International GmbH		100.00	
54	Elco GmbH	Germany	EUR	50,000	100.00	Elco International GmbH		100.00	
55	Elco Heating Solutions Limited	UK	GBP	3,001,750	100.00	Ariston Thermo UK Ltd		100.00	
56	Elco International GmbH	Germany	EUR	8,691,962	100.00	Ariston Thermo SpA	100.00		
57	Elco Italia SpA	Italy	EUR	3,500,000	100.00	Ariston Thermo SpA	100.00		
58	Elcotherm AG	Switzerland	CHF	1,000,000	100.00	Ariston Thermo SpA	100.00		
59	Gastech-Energi A/S	Denmark	DKK	7,554,935	100.00	Ariston Thermo SpA	100.00		
60	Heat Tech Geysers Limited	South Africa	ZAR	100	100.00	Ariston Thermo International Srl		100.00	
61	HTP Comfort Solutions LLC	USA	USD	4,319,871	100.00	Ariston Thermo USA LLC		51.00	
						Terzi			49.00
62	Marchi e Brevetti Srl	Italy	EUR	10,000	100.00	Ariston Thermo SpA	100.00		
63	NTI-Boilers Inc	Canada	CAD	13,058,901	100.00	NTI Holdings Ltd		100.00	
64	NTI-Holdings Ltd	Canada	CAD	13,058,901	100.00	Ariston Thermo Canada Ltd		86.00	
						Terzi			14.00
65	NTI-Industrial Inc	Canada	CAD	100	100.00	NTI Holdings Ltd		100.00	
66	NTI-USA Inc.	USA	USD	100	100.00	NY Boilers Inc.		100.00	
67	PT Ariston Thermo Indonesia	Indonesia	IDR	16,260,750,000	100.00	Ariston Thermo International Srl		60.00	
						Ariston Thermo SpA	40.00		
68	Racold Thermo Private Ltd	India	INR	262,134,750	100.00	Ariston Thermo International Srl		77.49	
						Ariston Thermo SpA	22.51		
69	S.H.E. d.o.o. Svilajnac	Serbia	RSD	35,432,220	100.00	Thermowatt Spa		100.00	
70	SPM Innovation sas	France	EUR	750,000	100.00	SPM sas		100.00	
71	SPM sas	France	EUR	420,014	100.00	Ariston Thermo SpA	70.00		
						Terzi			30.00
72	STV France sas	France	EUR	9,730,123	100.00	Chaffoteaux sas		100.00	
73	Thermowatt (Wuxi) Electric Co., Ltd	China	CNY	82,769,200	100.00	Ariston Thermo (China) Co., Ltd		70.00	
						Ariston Thermo International Srl		30.00	
74	Thermowatt SpA	Italy	EUR	7,700,000	100.00	Ariston Thermo SpA	100.00		

The participation shares in this table are the ones relevant for determining the Consolidated financial statements. The companies acquired with the put/call contracts to be exercised on the remaining shares of the share capital were fully consolidated, together with the acquisition agreement based on the provisions set forth in IFRS 3 (see the specific treatment of the individual put/call options in the notes). The statutory ones can be found in the table at the end of the Notes to the Consolidated financial statements.

LIST OF COMPANIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

n°	Company	Registered office	Curr.	Share capital	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	51.00	Ariston Thermo International Srl		51.00	49.00

(**) 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 Thermo Group

Consolidated financial statements as at 31 December 2018

Independent auditor’s report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the sole shareholders of
Ariston Thermo S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ariston Thermo Group (the Group), which comprise the statement of financial position as at 31 December 2018, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.
We are independent of Ariston Thermo S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Ariston Thermo S.p.A. or to cease operations, or have no realistic alternative but to do so.

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Iscritta all'Albo Speciale delle società di revisione
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The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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;
- we have obtained 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 Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a 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 consider this matter in forming 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 the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Ariston Thermo S.p.A. are responsible for the preparation of the Directors' Report on Operations of Group Ariston Thermo as at 31 December 2018, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Directors' Report on Operations, with the consolidated financial statements of Ariston Thermo Group as at 31 December 2018 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Directors' Report on Operations is consistent with the consolidated financial statements of Ariston Thermo Group as at 31 December 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Ancona, 8 April 2019

EY S.p.A.
Signed by: Gianluca Focaccia, partner

This report has been translated into the English language solely for the convenience of international readers.

Note: The Directors' Report on Operations of Group Ariston Thermo as at 31 December 2018 is not included in the Prospectus.

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