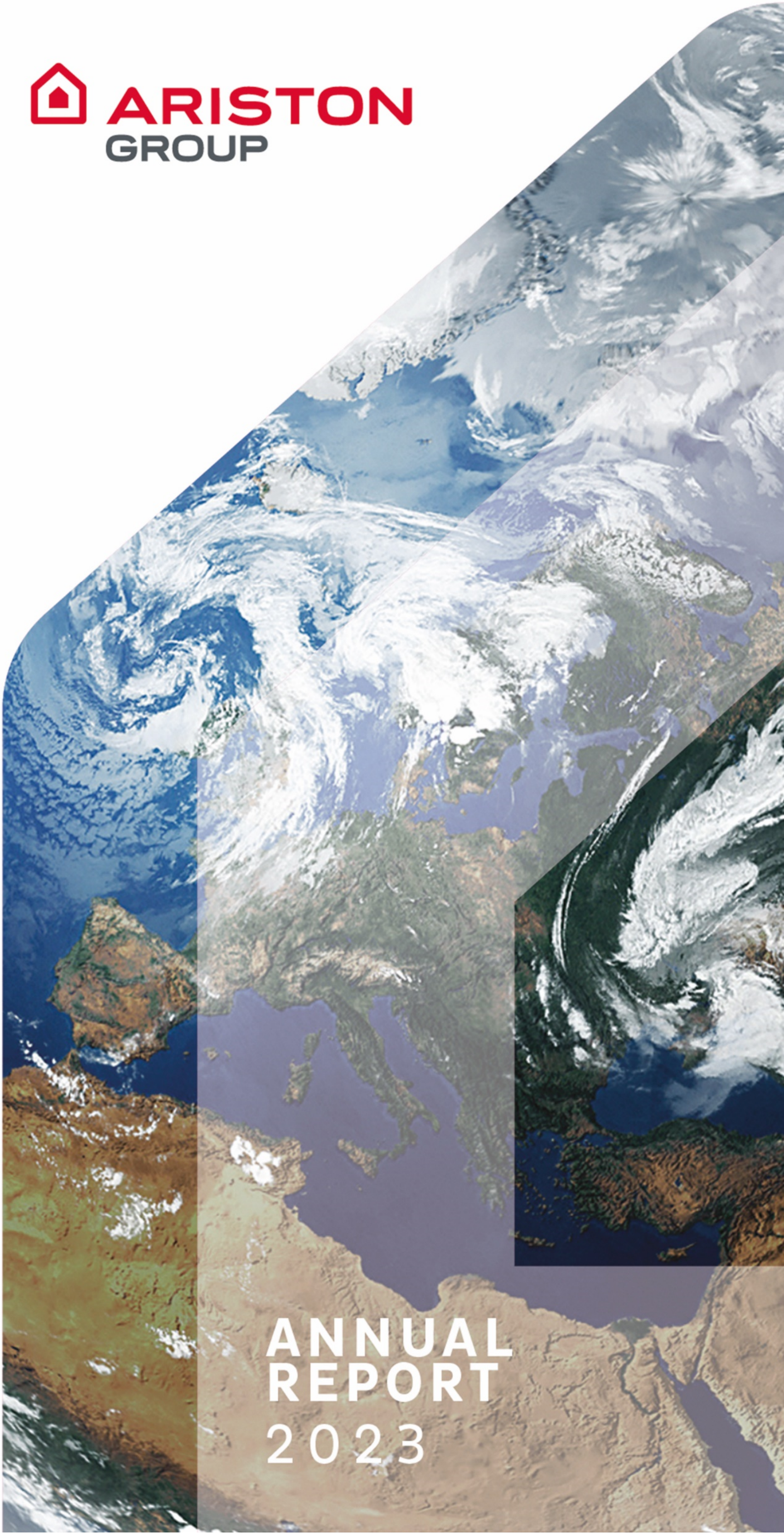
ARISTON
GROUP



ANNUAL REPORT 2023

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Disclaimer

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

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

1. About this report

Note on presentation

The annual report at 31 December 2023 was prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), as adopted by the European Union and with Section 2:362 (8) of the Dutch Civil Code ('DCC'), pursuant to Part 9 of Book 2. The IFRS designation also includes the International Accounting Standards ('IAS') as well as all the interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'), formerly the Standard Interpretations Committee ('SIC').

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

In accordance with Articles 15 and 18 of Consob Regulation 20249 of 28 December 2017 and subsequent amendments concerning 'conditions for listing shares of companies that control companies established and governed by laws of non-EU countries', the parent company Ariston Holding N.V. (the 'Company' or 'Parent Company' or 'Ariston' and together with its subsidiaries 'Ariston Group' or the 'Group') has identified its significant subsidiaries as defined in Article 15 (2) of the above-mentioned Regulation, and verified that the conditions set out in paragraphs b) and c) of Article 15 have been met.

Information on the figures presented

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

European Single Electronic Format requirements

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

2. Key Highlights

(€ Mln)	2023		2022		Total Change	
Net revenue	3,091.8	100.0%	2,378.8	100.0%	713.0	30.0%
EBITDA adjusted[1]	422.2	13.7%	305.3	12.8%	116.9	38.3%
EBITDA[1]	417.1	13.5%	283.5	11.9%	133.6	47.1%
EBIT adjusted[1]	314.2	10.2%	222.6	9.4%	91.6	41.2%
EBIT	285.7	9.2%	193.7	8.1%	92.0	47.5%
PBT	253.6	8.2%	179.8	7.6%	73.8	41.0%
Group net profit adjusted[1]	211.8	6.9%	162.9	6.8%	48.9	30.0%
Group net profit	191.2	6.2%	140.3	5.9%	50.9	36.3%

Profitability Ratios	2023	2022
Net capital employed (€ mln)	2,077.5	913.3
Earnings per shares – (Basic €)	0.52	0.43
Earnings per shares – (Diluted €)	0.51	0.42
Headcount	10,769	7,975
Free cash flow[2]	111.6	31.7
Net financial indebtedness adjusted[1] (*)	575.0	-98.9
Net equity	1,502.5	1,012.2

** Negative figures represent net cash*

[1] *refer to paragraph 4.11 for the reconciliation of the APM*

[2] *refer to paragraph 4.11 for further information*

3. Corporate bodies

Board of Directors

Paolo Merloni	Executive Chair
Maurizio Brusadelli	CEO
Antonia Di Bella	
Roberto Guidetti	
Laurent Jacquemin	
Guido Krass	
Francesco Merloni	
Maria Francesca Merloni	
Lorenzo Pozza	
Ignazio Rocco di Torrepadula	
Marinella Soldi	
Enrico Vita	

External auditor

Ernst & Young Accountants LLP

Driving our sustainable future

Paolo Merloni, Executive Chairman

Dear Shareholder,

2023 marked a turning point in the history of Ariston Group – a multinational group that today approaches its 95th anniversary as a leading player in the sustainable thermal comfort industry, with more than 10,000 people worldwide and revenues exceeding 3 billion euros.

The year commenced with the completion of the acquisition of Wolf-Brink, which has been the biggest M&A in our history and is now effectively evolving into a transformative partnership. We have been focusing on seamless integration, collaborating with new colleagues across various workstreams while harmonizing our heritages and diverse cultures, in line with Ariston Group's spirit. As we build on our shared system of values, we capitalize on differences to reshape our organizations into one and lay the groundwork of the future of our group. I take pride in noticing that synergies generated to date already gave positive contribution to margins, and that Germany has driven our financial performance this year, corroborating the strength of our vision.

In March we released our ESG manifesto "Road to 100", defining clear-cut objectives in the fields of Solutions, Operations, People & Community, Customers and Governance, and shaping our sustainability roadmap to 2030. As the energy transition in the building sector is critical to reach Europe's decarbonization targets, we further invested in product innovation to accelerate this transformation through our solutions and today with our unique, extensive portfolio of renewable and high-efficiency technologies we cover all our customers' needs for sustainable thermal comfort. Additionally, as a global manufacturer, we concentrated on progressively decarbonizing our operations, also by expanding the Word Class Manufacturing methodology, focusing on production capacity and efficiency for strategic categories, and implementing the digital transformation across the entire value chain.

We then welcomed Maurizio Brusadelli as the new CEO of Ariston Group. He brought to the group his vision, as well as a wealth of experience and competencies acquired over the course of his robust career. Extending my deepest gratitude to Laurent Jacquemin for his 30+ years dedication, and as he assumed the role of a non-executive board member, I acknowledge how the solidity of our governance guaranteed a smooth succession. The strong cohesion of our Executive Team secured stability and maintained our strategic course. All our people – through their commitment, strategic focus, passion, entrepreneurship, and integrity – were the true protagonists of a special year of shared success.

Leveraging on our vision Sustainable Comfort for Everyone, we put significant steps in the driving of our future. From these standpoints, we look ahead remaining focused on our scale and profitability. Despite the challenges affecting some of our key markets, in 2023 we achieved an unprecedented net turnover of 3.092 billion euros, which represents a 30% year-over-year growth, factoring in the acquisitions of Wolf and Brink (+1% proforma). And we were able to protect margins, increasing our adjusted EBITDA by 38% year-over-year (+9% proforma) and delivering once again a double-digit adjusted EBIT. Our vision is for the long term: we will continue to pursue our profitable growth, elevating our organic ambitions while exploring inorganic opportunities consistent with our development strategy, to stay true to the commitment to our stakeholders.

I express my thanks to all individuals who have played a role in contributing to this collective journey.

Sincerely,
Paolo Merloni

4. Director's Report

4.1 Reference Background and Investor information

Macroeconomic scenario

After reaching 3.5% in 2022, in the latest estimates released in October 2023, the International Monetary Fund (IMF) projected global GDP growth at 3.0% in 2023 and 2.9% in 2024.
The IMF outlined that the global economy continues its slow recovery from the effects of the pandemic, the outbreak of the conflict in Ukraine, and the cost-of-living crisis. Growth remains weak, nonetheless resilience has been higher than expected. Despite disruptions in energy and food markets caused by the war, and tight monetary policies, the global economy has slowed down, but not stopped completely.
Global production bottomed out at the end of 2023, while inflation is gradually being brought under control. However, currently, a full recovery toward pre-pandemic levels appears very challenging, especially in emerging markets and developing economies.
In this context, Italy's forecast is to move from 3.7% in 2022 to 0.7% in 2023 and 0.7% in 2024, Germany from 1.8% to a negative -0.5% and then +0.9% respectively, and France from 2.5% to 1.0% and 1.3% respectively.
This growth slowdown will also affect Saudi Arabia, shifting from 8.7% in 2022 to 0.8% in 2023 and 4.0% in 2024, and the United States, moving from 2.1% to 2.1% and 1.5% respectively. China is the only economy that is expected to record a positive trend in 2023 compared to 2022.

Growth projections (GDP), annual percentage changes

	Actual	Projections	
	2022	2023	2024
World Output	3.5%	3.0%	2.9%
Belgium	3.2%	1.0%	0.9%
China	3.0%	5.0%	4.2%
France	2.5%	1.0%	1.3%
Germany	1.8%	-0.5%	0.9%
India	7.2%	6.3%	6.3%
Indonesia	5.3%	5.0%	5.0%
Italy	3.7%	0.7%	0.7%
Mexico	3.9%	3.2%	2.1%
Poland	5.1%	0.6%	2.3%
Romania	4.7%	2.2%	3.8%
Saudi Arabia	8.7%	0.8%	4.0%
South Africa	1.9%	0.9%	1.8%
Spain	5.8%	2.5%	1.7%
Switzerland	2.7%	0.9%	1.8%
United Arab Emirates	7.9%	3.4%	4.0%
United Kingdom	4.1%	0.5%	0.6%
United States	2.1%	2.1%	1.5%
Vietnam	8.0%	4.7%	5.8%

Source: IMF, World Economic Outlook, October 2023

Exchange rates

After the depreciating trend in 2022, during the last quarter of 2023 the Euro was subject to significant appreciation against many of the main currencies relevant to the Ariston Group.
In comparison with the average exchange rates for the last quarter of 2022, only a few cases of depreciation were recorded - against the Swiss Franc (-2.9%), Mexican Peso (-5.9%), and Pound Sterling (-0.3%). Against the other currencies, the Euro registered an increase of between 5% and 7%.
As regards to the average for 2023, the trends registered in the last quarter are confirmed, apart from the Pound Sterling against the Euro, which appreciated at 2%.

Euro exchange rates against major currencies

	2023			2022			Δ		
	Avg. Q4	Avg. YTD	31.12.2023	Avg. Q4	Avg. YTD	31.12.2022	vs. Avg. Q4	vs. Avg. YTD	vs. 31.12
CHF	0.95	0.97	0.93	0.98	1.00	0.98	-2.9%	-3.3%	-6.0%
CNY	7.77	7.66	7.85	7.26	7.08	7.36	7.1%	8.2%	6.7%
GBP	0.87	0.87	0.87	0.87	0.85	0.89	-0.3%	2.0%	-2.0%
RON	4.97	4.95	4.98	4.92	4.93	4.95	1.0%	0.3%	0.5%
USD	1.08	1.08	1.11	1.02	1.05	1.07	5.4%	2.7%	3.6%
CAD	1.47	1.46	1.46	1.39	1.37	1.44	5.8%	6.6%	1.4%
VND	26,204	25,770	26,808	24,810	24,630	25,183	5.6%	4.6%	6.5%
INR	89.54	89.31	91.90	83.86	82.69	88.17	6.8%	8.0%	4.2%
MXN	18.89	19.18	18.72	20.08	21.19	20.86	-5.9%	-9.5%	-10.2%

Source: ECB

Raw materials

After strong inflationary trends in 2021 and equally strong declining trends in 2022, the most important raw materials for the Ariston Group continued their price decrease over the whole of 2023, except for some small signs of an increase in the last quarter (both end-of-period spot and average prices). More specifically, in the fourth quarter of 2023, polypropylene, polyurethane and aluminium recorded the biggest decrease, with a quarter average of 10%, 9% and 6% respectively, compared to the average price for the fourth quarter of the previous year.

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

	2023			2022			Δ		
	31.12.2023	Avg. Q4	Avg. YTD	31.12.2022	Avg. Q4	Avg. YTD	vs. Last Day	vs. Avg. Q4	vs. Avg. YTD
Steel [€/ton]	696	653	714	669	657	898	4%	-1%	-20%
Polypropylene [€/ton]	1,470	1,477	1,494	1,648	1,648	1,946	-11%	-10%	-23%
Copper [USD/ton]	8,476	8,170	8,475	8,387	8,009	8,807	1%	2%	-4%
Polyurethane [€/ton]	2,206	2,181	2,428	2,391	2,406	2,600	-8%	-9%	-7%
Aluminium [USD/ton]	2,335	2,191	2,249	2,360	2,324	2,703	-1%	-6%	-17%

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

4.2 Significant business events in the year

January

Following the fulfillment of all condition precedents, the Ariston Group completed the acquisition of 100% of the share capital of CENTROTEC Climate Systems (now called Wolf-Brink) for €625.8 million in cash, plus 41,416,667 Ariston Holding N.V. shares. The transaction, announced in September 2022, was the biggest deal in the Group's history and contributed to the increase in the Ariston Group's ESG focus, reinforcing its portfolio of brands and its mid- to high-end offer of climate solutions, and further consolidating its positioning in Europe, with Germany becoming its first market.

The global Ariston brand launched One Team in Romania, the reserved digital area that caters to Ariston Professional Partners, offering informative contents and tools to attract, engage, support, and retain Installers, Planners and Service Centres.

February

The Ariston Group participated in the annual convention promoted by the Politecnico di Milano Internet of Things Observatory, joining the conversation on Smart Homes, and deepening the impact that thermal comfort solutions with connectivity features have on energy saving and emissions reduction.

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

March

As part of the Company Report 2022, Ariston Group released its Sustainability Report 2022, tracking the Group's ESG journey and reporting its annual ESG performance.

The Ariston Group presented its ESG vision and goals to 2030 – the year of its 100th Anniversary – in the Road to 100, a strategic plan and manifesto of the Group's commitment to sustainability, defining ambitious objectives in the fields of Solutions, Operations, People & Communities, Customers, Governance, and identifying a roadmap of concrete supporting initiatives.

The Ariston Group's global brand Wolf, ventilation brand Brink, and components brand Thermowatt participated in ISH 2023, taking place in Frankfurt, to present respectively the latest innovations in heating and ventilation technology, and electric components for heat pumps for heating.

Global brand Wolf presented the new CHA-16/20 mono-block air-to-water heat pump, an extension of the CHA-07 and CHA-10 product ranges, working with natural refrigerant R290. The additional power rating is specifically suitable for installation in large, detached houses, apartment buildings, and the commercial sector.

April

Global brand Ariston hosted an event in Singapore to showcase the new Andris, a full range of Wi-fi electric storage water heaters now equipped with voice control functions, and Aures 2.0, the new range of electric instant water heaters that combine innovative technology with excellent design features.

In India, leading local water heating brand Racold launched the Omnis and Altro ranges, standing out for their innovative technology, high efficiency, quality as well as particular design features.

May

When releasing FY23 Q1 results, the Ariston Group announced the succession in its Chief Executive Officer position, with Laurent Jacquemin stepping down for personal reasons, effective 27 July 2023, and Maurizio Brusadelli identified as the new CEO candidate, to be nominated by the Board at its 3 August 2023 meeting.

In recognition of its commitment to the country, Ariston South Africa was awarded Business Enterprise of the Year at the 25th edition of the Business Excellence Awards, the event hosted in Johannesburg by the Italian-SA Chamber of Trade and Industries to recognise business excellence and solidarity within the longstanding Italian-South African business community.

June

Global brand Elco was in the limelight at the Red Dot Design Award 2023, as the air-to-water heat pump AEROTOP SX was honoured with the Red Dot for its modern simplicity, perfectly combined with innovative technology and an eye for sustainability.

In Spain, global brand Ariston hosted an event to celebrate the integration of the Fleck brand, and introduced its new premium ranges, the DUO range and FLECK range, as well as the Velis Wi-fi series.

Following the launch in Romania in January, global brand Ariston introduced the One Team platform in France.

Global brand Wolf hosted an event with all employees and their families to mark its 60th anniversary, celebrating the years of history that have made it a leading expert for a healthy indoor environment.

Global brand Ariston introduced Nuos Plus S2 Wi-Fi, the latest addition to its heat-pump water heater ranges, working with propane, certified with A+ energy class, guaranteeing an extremely low noise performance and equipped with advanced connectivity features.

July

Global brand Ariston participated in the 2023 edition of IndoBuildTech Expo, the leading building and interiors exhibition in Indonesia, showcasing its full range of water heating solutions, including the Wi-fi series, solar water heaters and heat-pump water heaters suitable for both commercial and residential use.

The Ariston Group inaugurated in Follina, Italy, the new Thermowatt Professional site, a plant of 10,000 square metres that testifies to the Group's commitment to continue to strengthen its international footprint, while leveraging components of its own manufacture as a key competitive edge.

The Ariston Group inaugurated its new offices in Ho Chi Minh, Vietnam, welcoming local teams in brand new spaces designed to foster teamwork and collaboration.

August

Following the succession announcement in May, the Board appointed Maurizio Brusadelli as the new Chief Executive Officer of the Ariston Group.

While refreshing its key facilities around the world, the Ariston Group opened the doors of its new offices in Dubai, UAE, expanding its local hub and renewing its commitment to the Middle East and Africa.

September

Our burners division brand Ecoflam celebrated its 50th anniversary, hosting an event in Resana, Italy, to retrace its history, acknowledge the results achieved and renew the company's ambitions for the future.

The Ariston Group completed a business sustainability assessment through EcoVadis and earned a bronze medal, recording a significant improvement in its performance over the previous year, positioning at the higher end of its band and at the 68th percentile if compared to other companies' scores.

October

Global brand Ariston opened the door of its new Experience Center in Jakarta, Indonesia, displaying its top-quality solutions for water heating within an interactive product gallery aimed at offering an exclusive retail experience to both consumers and professionals.

Ariston Group renewable solutions topped the charts in both the French and German markets, when in France the Ariston Nimbus Plus S Net R32 heat pump was tested by the consumer magazine Que Choisir, while in Germany the consumer organisation Stiftung Warentest ranked the Wolf CHA 10/400 in second position among the six air-to-water heat pumps tested.

Strategic brand Atag celebrated its 75th anniversary with a two-day event to engage both colleagues and installers through educational sessions interspersed with moments of entertainment, and for the occasion it inaugurated its brand new ComfortHub training center, to support professionals in addressing the energy transition.

Global brand Ariston introduced the new Velis Dry Wi-Fi FE electric storage water heater equipped with Demand Response – a technology that enhances national grid flexibility and makes matching energy demand and supply possible by storing energy, thus reducing losses and avoiding peaks.

The Ariston Group announced the opening of its new offices in Providence, US, located right at the heart of the Innovation District and providing employees with a modern and comfortable working environment.

As part of its partnership with Politecnico di Milano, the Ariston Group was one of the key players involved in the Hardware & Software Codesign Academy – a program developed by the Politecnico di Milano Career Service to train future engineers through a series of interactive laboratories.

November

The Ariston Group was honoured with the Premio Leonardo Qualità Italia 2023, presented by the Comitato Leonardo - Italian Quality Committee, in recognition of its steadfast commitment to quality, innovation, and internationalization.

December

The Ariston Group celebrated the first anniversary of its new global intranet weARe, launched with the purpose of offering employees a new and unique space to thrive in as a global community.

The Ariston Group toasted 35 years in Vietnam with a special event, which included an immersive exhibition, accompanied by live performances and a series of entertaining activities.

Global brand Ariston participated in Big 5 Global – the annual meeting for the global construction industry taking place in Dubai – to showcase the latest renewable solutions offered by the brand, ranging from solar water heaters to heat pumps. Components brand Thermowatt was present as well, highlighting its latest thermostats that allow remote temperature control and offer weekly programming and energy-saving modes.

The Ariston Group officially inaugurated its new offices in Saint-Denis, France, and welcomed local teams to vibrant new spaces designed to embody the spirit of collaborative innovation that is characteristic of the Group.

4.3 Subsequent events

In January, the Ariston Group participated in AHR Expo 2024, in Chicago, to reaffirm its commitment to the North American market and to introduce its latest innovations, including water heating solutions from strategic regional brands HTP Comfort Solutions and American Standard Water Heaters, and NTI heating equipment.

Global brand Wolf inaugurated a new campus in Hamburg, which adds to the existing German locations in Mainburg, Koblenz, Osnabrück, and Berlin and expands the brand's training offer, providing targeted learning sessions and webinars to its community of professionals.

In February, the Ariston Group announced the completion of the acquisition of a production site in Egypt, near Cairo, from historic Egyptian manufacturing company Universal Group, to further consolidate its manufacturing leadership in the water heating sector in North Africa and the Middle East, markets with high growth potential.

The Ariston Group participated in the 2024 edition of the Internet of Things Observatory, organised by Politecnico di Milano, to discuss the latest developments in the smart home industry and share updates on Ariston Group connected services.

In March, as part of its Company Report 2023, the Ariston Group issued its Sustainability Report 2023, consolidating its latest sustainability achievements and tracking its performance against the targets to 2030 stated in the ESG manifesto Road to 100.

The dividend will be paid on 22 May 2024 (with an ex-coupon date of 20 May 2024 in accordance with the Italian Stock Exchange calendar, and a record date of 21 May 2024). The Board of Directors resolved to convene the Annual General Meeting on 6 May 2024.

4.4 Brand|Product performance

Market and business performance

In 2023 we witnessed an overall decrease in market volumes. The progressive shift toward renewable technologies is continuing, though at a slower pace compared to previous years.
The global heating market has decreased, driven on one side by the changes in regulation and incentives in some core European markets – such as Italy – and destocking effects; on the other side, some European markets experienced a strong acceleration supported by incentives – such as Germany.
The hot water markets have been stable at global level with some volatility by individual market. European and Asian markets were stable overall; the North American market, after a difficult start to the year, registered a strong recovery in the second half.

Brand activities

Taking care of our brands continued to be a key lever to sustain our value and growth. In 2023, the Ariston Group focussed on three core areas: brand portfolio management, strategic brand - Ariston, Wolf and Elco – consolidation, and execution of the Ariston brand refresh.
Brand portfolio management. While continuing to broaden its brand portfolio through acquisitions, the Ariston Group refreshed its brand portfolio strategy and defined a comprehensive Group brand architecture, where each brand has a clear role in terms of positioning and where some brand harmonisation paths are defined, with the objective of focussing and prioritising investments to provide stronger and more competitive offerings to customers and consumers, globally and by market.
Ariston, Wolf and Elco consolidation. As part of the portfolio strategy work, the Ariston Group started by focussing on its three key strategic brands - Ariston, Wolf and Elco - to further develop their positioning in order to maximise their respective and combined market potential in product categories and operating models.
Execution of the Ariston brand refresh. In 2021, the Ariston Group decided to upgrade the Ariston brand's positioning and visual identity to bring it closer to its values, while remaining loyal to its heritage and dedication to developing sustainable and easy solutions for all families, thus resulting in the 2022 "The home of sustainable comfort" payoff and campaign. In 2023, a strong focus was maintained to substantiate and consistently implement this brand positioning and identity at global level, across all media and communication activities.

Heating Solutions and Services

Renewable solutions
After having recorded strong growth in 2022, the renewable technologies (hydronic heat pumps) market decreased in Europe driven by specific market dynamics. Some of the key European markets (such as Italy) suffered from less favourable incentive schemes, while some other markets (such as Germany, Netherlands, UK) registered strong momentum. Renewable heating technologies continued to be supported by government incentives in the form of fiscal stimulus (e.g. Germany, UK, France, Italy) for the replacement of the installed base of conventional boilers.

Gas solutions
In 2023, the boiler market decreased in Europe and the Americas, showing signs of recovery only during the last months of the year. The market trend was affected by the shift to renewables technologies and by high level of stock at the beginning of the year in some markets such as North America and Italy.
In China, the overall market for boilers is progressively normalising after the discontinuation of the "coal-to-gas" incentives; although still a limited share of the total market, the mix is progressively moving towards more environmentally friendly high-efficiency products.

Air Treatment
In 2023, the important air recovery ventilation market, where the Ariston Group is mainly playing in Europe, slightly decreased. The Netherlands and Germany are the two largest markets.

Hot water solutions

Renewable solutions

In Europe, in 2023 the market for hot water heat pump solutions registered solid growth in volumes, above other technologies. The demand for this product category keeps increasing in other regions of the world.

Electric storage solutions

In 2023, the demand for electric storage is estimated to be stable and back to the historic pre-Covid level.
Asian markets recorded different trends: Vietnam was affected by local economy's slowdown, while India grew slightly. Overall the Middle East and African markets remained stable.
In North America, and particularly in the US, the market grew significantly, recovering positively during the second part of the year.

Gas solutions

The Group's main markets are in North America (US and Mexico): the US market grew in 2023, while the Mexican market decreased.
The main European markets where the Group operates registered a decrease in gas-based instant water heating solutions. In North America the US market was stable, while Mexico recovered after a difficult 2022.

Burners

The burners market has suffered a general slowdown in volumes. In France residential oil boiler sales witnessed a negative trend. The residential market in Europe registered an overall contraction, partially mitigated by a positive trend in medium- and high-capacity projects. In China, the market was negatively impacted by the general economic situation, suffering in particular from the real estate crisis; the fast-growing presence of local manufacturers raised price pressure.

Components

While the first half was in line with the previous year, in the second half the components business suffered from a market slowdown, due to a lack of demand and high stock levels. Demand for electric heaters and thermostats for water heaters saw an overall decrease, while electric heaters for professional and industrial applications slowed down in the second half of the year, mainly impacted by the catering sector. Demand for heaters for domestic appliances instead remained stable.

4.5 New Products, Services, Research and Development

Hot Water Technologies

Renewable Products

In 2023 the Ariston Group launched two key heat-pump water heater platforms – its first heat-pump water heater for the US market and the Nuos Plus Wall-Hung S2, equipped with propane technology.

Leveraging on Ariston's global experience, the heat-pump water heater for the US market is available in 3 capacities (50, 65 and 80 gal), while an extension to 40 gal is planned for Q1 2024. It addresses local needs in terms of comfort and installation and features premium performance (up to 4.01 UEF and 49 dB(A) low noise), Wi-Fi connectivity, Eco Port, integrated leak sensor and optional shut-off valve.

Ariston's Nuos Plus Wall-Hung S2 is the brand's latest wall-hung platform for Europe, working with R290 gas refrigerant (GWP = 3) and already compliant with the F-Gas requirements for 2027. Available in 3 capacities (80L, 100L and 150L), it comes with a new iconic design and is equipped with innovative solutions to reach higher COP and outstanding performance in terms of heating time, air working range and low noise; it also boasts new working modes and premium features such as embedded Wi-Fi connectivity, photovoltaic connection and Bus Bridge Net for system integration, to meet all customer needs.

Electric Products

In the second quarter of 2023, the Ariston Group renewed its Racold offer, launching new products in India in the storage and micro-storage segments – respectively Omnis and CDR, and Altro and Pronto – matching the highest energy classes, and featuring functions such as Children Care, which reduces the risks of overheating. In the same period, in South Africa, global brand Ariston extended its Axios range, introducing its first electronic product for the market, equipped with a wired remote control with display, eco-function and a leakage sensor. Then, in the third quarter, Ariston released the new Lydos Wi-Fi in Europe, with a renewed interface, as well as the new Andris Elite, extending connectivity across the full product range. Finally, in the USA, the Group launched the first Demand Response product compliant with Oregon and Washington states' local regulations.

Heating Solutions and Services

Heat Pump Systems and Solutions for the Residential Segment

The Ariston Group did not stop innovating its heat pump portfolio, in line with trend projections for coming years.

Global brand Ariston delivered key projects to both increase the attractiveness of Nimbus NET R32 in consolidated markets and pave the way to new ones. In particular, the brand introduced dedicated products for the Spanish market, with higher allowable height and distance differences (respectively of 30m and 40m) between outdoor and indoor units, to increase penetration in multi-family buildings – as the first rollout involves sizes up to 8kW, remaining capacity sizes will follow in 2024. Additionally, the development of a Nimbus line-up for the UK has been key to unlocking a new market for Ariston's residential portfolio – from June 2023, Ariston's signature Nimbus NET R32 has been commercially available in mono-clock, refrigerant split and hybrid versions, and further developments to expand the local residential offer are in the pipeline. As regards the global brand Elco, the AEROTOP SX heat pump range, which was honoured with the prestigious Red Dot Design Award, was further extended with the 13kW model, which works well in existing single-family houses and, in cascade combination, also provides a solution for small multi-family buildings. Finally, global brand Wolf introduced the new CHA-16/20, the largest version of its frequently installed mono-block heat pump, which – thanks to an additional power rating – is specifically suitable for installation in large, detached houses, apartment buildings, and the commercial sector. The brand also developed an efficient hybrid centre, allowing easy supplementation of a heat pump centre in the existing conventional heating system, and launched seven versions of the FHA mono-block heat pump which, by using refrigerant R32, represent a great solution for energy-efficient construction projects, particularly in new builds.

High-Efficiency Boilers for the Residential & Light Commercial Segments

In North America, the NTI product range was enriched with the new TFTN series –next-generation residential & light commercial boilers, boasting strong reliability, signature quality construction and state-of-the-art technology. The TFTN's stainless steel heat exchanger is ASME-certified and uses down-fired fire tube technology, an industry-proven design that optimises heat transfer and increases energy efficiency. Equipped with a proprietary control panel that is intuitive and easy to program, as well as with connectivity features that allow remote diagnostic and 24/7 monitoring, TFTN boilers

are certified low NOx and provide up to 98% heating efficiency, reducing emissions while delivering high-quality heating. Available in 85, 110, 150 and 199 MBH sizes, the range also includes options from 285 to 850 MBH for commercial applications.
As a member of the European Clean Hydrogen Alliance, the Ariston Group has also continued to invest in hydrogen research and development. Following the launch of the ONE+ NET series – the first wall-hung condensing boiler range certified by DVGW for gas blends with up to 20% hydrogen introduced in Europe in 2022 – in 2023 global brand Ariston released the first condensing boiler certified to operate on 100% hydrogen*.
*hydrogen blend availability in the grid is subject to national governments' sourcing policies.

Solutions for the Commercial Segment

In 2023, global brand Elco finalised the rollout of Aerotop M and L commercial heat pumps in all target countries, further enriching a portfolio of solutions that – by allowing multiple installation configurations, thanks to stand-alone solutions or to single generators combined in hybrid systems – makes the brand one of the key players on the market.

Air Treatment

Domestic Ventilation

Global brand Wolf expanded its controlled domestic ventilation portfolio, adding two additional sizes to its CWL series, with air flow rates of 450 and 600 m³/h, along with complementary accessories.
In parallel, Brink introduced a range of renovation solutions to fit existing buildings' needs. In particular: Flair 600 unit is specially designed for large projects with high ventilation demand; the Enthalpy exchanger increases heat recovery percentages and helps humidify spaces, also being very easy to install; Elan 25 3.0 is the latest addition to a range of appliances for cooling, heating and ventilating buildings connected to heat pumps or district heating.

Air Handling

Global brand Wolf launched the CGL 2 edu, a floor-standing air-handling solution designed for quick retrofitting in offices and classrooms which, despite a high air flow rate of up to 1,100 m³/h, is particularly quiet, as well as the new CFL edu, which is also well-suited for existing buildings, can be installed directly under ceilings, and has a high flow rate of up to 1,150 m³/h.

Services and Parts

Direct and Indirect Services

In the countries where it adopts a Direct Service Model, the Ariston Group invested in recruiting, training, and processes and systems improvement, to allow its Service Teams to capitalise on the energy transition, while providing the highest level of service to both installers and end-users.

Global brand Wolf developed a heat pump configurator tool to provides installers, planners, energy consultants, and wholesalers with a rapid dimensioning tool for heat pumps, supporting initial consultation phases. The Group also launched a new front-end platform called Expert, aimed at to authorised service centres, to favour both UX/UI and internal needs for quality data, and make a complete end-to-end paperless process possible. Additionally, it worked to develop a new set of business intelligence reports for indirect service markets that are already available to all SAP CRM countries.

Parts

Keeping customer satisfaction as a priority, in 2023, the Ariston Group successfully managed several supply chain and footprint challenges. While improving harmonisation processes and spreading best practices in spare parts management worldwide, the Group launched the remanufacturing pilot initiative.

Connected Home Services

The Ariston Group continued working on improving the innovative services offered through its B2C, B2B and interoperability apps and tools, ultimately creating enhanced Connected Home Services that rely on advanced analytics and AI. More specifically, the Group focused on various value creation initiatives, including:

- Ariston NET: the app designed to manage customers' thermal comfort solutions by providing a user-friendly interface for easy control, consumption optimisation and quick assistance;
- Ariston NET PRO remote assistance: the web platform that leverages AI technologies to empower professionals to deliver top-tier service to customers, ensuring effective and timely support, while reducing the need for physical interventions;
- Ariston Net OPEN: the set of solutions to facilitate the integration of connected products and services into smart home ecosystems and multi-brand facility or maintenance management software systems.

Home Energy Management and Demand Response

Through Demand Response and Home Energy Management technologies, the Ariston Group is making significant strides in contributing to the energy transition. In 2023, the Group introduced the new Velis 2.5 DR in France, a product designed to contribute to the stability of the electricity grid, and the new Powerflex Solar in Italy, a solution that helps prevent blackouts, while enabling energy self-consumption. As it explores new product categories and integrates new technologies, its commitment to both technologies remains steadfast.

Components

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

- Connectivity: within its range of Wi-Fi solutions, components brand Thermowatt developed a tailored smart immersion heater for the UK;
- Anti-counterfeiting: Thermowatt developed a system based on NFC technology that allows dealers to verify the authenticity of thermostats and heating elements through their smartphone;
- Flow heaters for HHP: in line with efforts in previous years, Thermowatt continued to optimise and automate the production of its electric heaters for HHP, with "back-up" and "booster" functions.

Burners

The Burners Division focused on the development and upgrading of customised products, to capitalise on emerging opportunities. In particular, it focused on:

- Residential Bio-fuel, through the development of combustion technologies for new biodiesel fuels, including F100 and HVO;
- Dual Fuel range, to fulfil the cl3 Low NOx emissions on gas, with the homologation of the range up to 4 MW;
- Special projects, designing products capable of meeting the increasing demand for solutions running alternative fuels such as biofuels, syngas, H2 or working in complex industrial applications. In particular, three special 24 MW RPD Low NOx burners for industrial waste gas, a mixture of carbon monoxide and hydrogen, have been developed to be installed on a 70MW steam water tube boiler for an energy plant in Belgium.

4.6 Manufacturing & Supply Chain operations

Procurement

2023 saw inflation receding from its 2022 peaks, with material availability back to normal, as well as an inventory build-up in the second part of the year that drove down the price of major commodities (steel, polyurethane, non-ferrous), although not back to historic averages. A similar dynamic affected energy costs. In this scenario, the Ariston Group clawed back the extra costs faced in 2022 and accelerated the focus on multi-sourcing, localisation and key partners as the main pillars of its strategy. The Group also moved forward in its digitalisation project, introducing three sourcing modules as per the plan, and selected the suppliers to involve in its ESG journey, in line with its supply chain ESG target to 2030.

Manufacturing

Throughout 2023, Ariston Group production sites focussed on performance, to accommodate demand in a context of significant fluctuation in volumes and mix while continuing the gradual shift towards renewables, and to combine the highest safety and quality standards with the optimum cost and efficiency levels. In line with the commitment to progressively improving such performance and eliminating waste, manufacturing is working to further expand the World Class Manufacturing approach embraced since 2011 to new sites and is constantly updating its equipment to be aligned to state-of-the-art technologies.

Supply Chain and Logistics

After three years of disruption, in 2023 supply chain and logistics conditions returned to normality as regards sea flows (full container loads). From January to November, the Ariston Group witnessed a noteworthy decline in tariffs and a concurrent surge in availability, effectively returning to pre-COVID-19 conditions. Entering December, nonetheless, the escalation of regional tensions that resulted in targeted attacks on commercial vessels crossing the Red Sea, marked the commencement of a new phase of volatility and uncertainty. Affecting a vital trade route, the Red Sea crisis significantly disrupted shipping operations. Shipping companies like Maersk and others faced threats to their vessels, leading to re-routing decisions and operational pauses. The alternative route around the Cape of Good Hope, while safer, is longer and more expensive, due to increased fuel bills and higher insurance premiums. Additionally, the Group had to take counter-measures to balance the increase in stock for both raw materials/components and finished goods, mainly due to the fluctuation in demand for renewables.

In 2023 the Ariston Group successfully executed some strategic activities it had planned, aimed at maximising resilience by balancing investments and enabling end-to-end risk management. It invested in two initiatives: Digital Supply Chain and One Team, respectively related to tools and organisational improvements, enhancing visibility across extended supply chains, and improving capability to manage disruptions at domestic, regional, and global level through technology.

Finally, the Group continued to invest in the “World Class Logistics” improvement program, to enhance the efficiency and quality of operations starting from some key European warehouses. The main distribution hub for the Italian market, located in the Marche region, is a good example, as it introduced a new approach, with a clear roadmap for the development in Primary Logistics warehouses in 2024.

Quality

During 2023, the Ariston Group Quality Roadmap, which was launched in 2021, was further implemented and developed. Some of the major projects have been completed, defining a Quality Strategy, strengthening product development, increasing the robustness of the risk assessment method, and improving the system of Quality KPIs. Other long-term projects have been decisively advanced, including the increase in quality awareness within the organisation, the strengthening of manufacturing, supplier and service processes, as well as the improvement in cost analysis capabilities. As the new Expert app for service centre activities was launched, over the year the Quality function was reinforced to support the transformation of operations, and through a new integrated organisation setup designed to follow the Group’s global growth.

4.7 Human Resources

Workforce

Following the acquisition of Wolf-Brink in January 2023, the workforce of the Group includes for 2023 the new perimeter, while the 2022 and 2021 figures reflect the previous Ariston Group structure.
As at 31 December 2023 the Group's workforce stood at 10,769 employees (of which 2,792 from the Wolf-Brink acquisition), reporting a substantially flat headcount for the Ariston legacy compared to December 2022 (+2 headcount) and an increase compared to December 2021 (+1.5%).
The increase compared to year-end 2022 is attributable mainly to the Wolf-Brink acquisition.

People Attraction, Engagement and Inclusion

Recruiting and retaining the best talent is a critical cornerstone to supporting and sustaining our business growth ambitions. It enables us to address staffing challenges such as the competitive labour market, the size of the talent pool and skill shortages in areas that are strategic for the success of our Group.
In 2022, we reinforced our employer branding strategy to enhance our positioning and increase our visibility at global level. Local initiatives demonstrated the strength of our employer positioning (we received best employer awards in two important countries, Vietnam and India), and Group initiatives were key to attracting talent and informing young candidates, especially with a digital and engineering background, of the opportunities offered by the Ariston Group.
We believe that strategic partnerships with universities and engineering schools in key geographies can ensure a regular flow of candidates, while also establishing education pathways to respond to our specific competence needs. In this sense, last year we consolidated our partnership with Politecnico di Milano (with the additional launch of the Hardware and Software Co-design Academy), and signed a new agreement with Università Politecnica delle Marche for a stronger collaboration on engineering activities. Besides Italy, also Germany plays an important role in sourcing key skills, and the cooperation with local technical schools remains an important channel.
Diversity and inclusion were also part of our people agenda, striving towards being a multinational company in which diverse strengths contribute to building positive and productive interaction, cooperation and synergy among people, cultures and experiences, driving business growth, value creation and organisational performance. With an initial focus on gender, in an industry where women are traditionally under-represented, we focussed both on addressing the shortage of STEM female profiles, and on supporting our female leaders in their continuous development within the organisation.

HR Digital Roadmap

One of the pillars of the HR transformation program is the Digital Roadmap, which consists in the digitalisation of key HR processes, in order to increase data quality, HR KPIs and analysis. Developing meaningful data analytics will be instrumental for reporting purposes and analysing trends, as well as generational shifts. This will enable the Group to predict and meet the needs of its workforce.
This initiative spans the entire organisational landscape and aims to seamlessly integrate new acquisitions and pre-existing HR processes into a unified digital framework, with the ultimate goal of understanding, predicting and meeting the trends and ambitions of all employees as well as potential candidates.

In 2023 we worked on the set-up of the HR data backbone, which will be the basis for the launch of Employee Central as our source for supporting an employee along each step in their journey in the Company, starting from the Recruiting, Hiring and Administrative processes to Performance and Learning as the first processes to be enhanced and fully digitalised by the end of 2024.

Wolf/Brink integration program and change management plan

As part of our integration program with the acquired Wolf/Brink companies, we set up 13 workstreams with many of them having subgroups working on specific topics. More than 100 people have been involved in the workstreams to various degrees.
Not surprisingly, we experienced differences in the way we work, meeting new colleagues, understanding commonalities and differences and building new collaborations within the organisation. Thus, after having measured the temperature

of the organisations impacted through a survey, involving more than 130 employees from both the Ariston and Wolf/Brink organisations, in July we launched a Change Management program to support the teams in better understanding each other, better addressing priorities and making our teamwork more effective and enjoyable and making the transition towards shared organisation as smooth and effective as possible.

The Change task force designed a transformation program, with the support of external consultants, with the following steps:

Step 1) Culture analysis and understanding:
Focus groups were organised to better understand similarities and differences between the two organisations and to reflect on initial experiences of collaboration with the objective of creating a culture of working together based on common principles.
Face-to-face meetings of four hours each were held for each focus group to gather input and feedback that was instrumental in shaping our "new ways of working", leveraging the positive aspects of both organisations and ensuring that we effectively address any challenges that may arise.
We primarily involved the following functions: Manufacturing, Procurement, Heating R&D and Product Management, and Finance, following the organisations' integration plan and the release of the official announcement of the set-up of new structures.

Step 2) Solution design:
After the first step of culture analysis, in 2024 we are going to proceed with the above-mentioned functions with dedicated Team events/ workshops to define the common way of working and to clarify team objectives for the upcoming years/collaboration approach.
This will always be supported by a strong sponsorship of the divisional Leaders, ensuring onboarding of the teams, clarity in communication and commitment.

Step 3) Cascading and implementation:
The last part of the program - expected in the second half of 2024- will envision cascading sessions to all people in the divisions to spread the new way of working at all levels of the organisation and align on future common objectives.
This will be a primary responsibility of Line managers who - supported by the Change Management team - will conduct roadshows and cascading sessions with the teams.

The overall Change Management Program is sustained by a Communication Campaign across all relevant internal channels via Newsletter, Video Interviews, etc. to keep the organisations updated on progress and help people understand the impacts of the change and the next steps.

Employees' skills development and growth: Global Leadership Program (GLP) extension and Mentoring Program launch

In line with the corporate objective of facilitating upskilling and reskilling of our workers while continuously creating a learning environment to help people grow both personally and professionally, in 2023 we kept extending our Global Leadership Program to cover the full population by end of the year.

The Global Leadership Programme (GLP) - launched for the first time in 2021 - is focused on improving employees' competencies according to the approach outlined in the Ariston Group's Leadership Model: "LEAD CHANGE, LEAD BUSINESS, LEAD PEOPLE". The initiative strives to activate, support and strengthen leadership skills amongst employees from 25 different countries. At its core, the scope is to move towards Leaders as Coaches and to foster an effective feedback culture, in order to provide a consistent managerial style throughout the Group and help people grow professionally.

Initially, the fully digital GLP was tailored for Executives and Senior Managers. The program was then extended to the Mid-Management level and, in 2023, it involved Individual Contributors and every new employee, at any level, through six interactive modules composed of individual business coaching journeys, collaborative team learning sessions and online content delivered in eight languages.

Moreover, in 2023, the Ariston Group unveiled the Mentoring Program, based on the concept that sharing knowledge within the company helps people grow both personally and professionally. The Program therefore serves as a catalyst for individual development in a journey where experienced mentors guide mentees. It also envisages an approach to skills enhancement designed to help mentees navigate challenges and prepare for future opportunities. In terms of benefits, there are three ways in which mentorship helps with employee engagement: firstly, by providing opportunities for professional development, tapping into the knowledge of more senior employees; secondly, by giving employees a voice to speak with leadership, breaking down communication barriers; and finally, by building supportive working relationships and promoting a growth-focused mindset.

This initiative supports mentees throughout assignments by transferring essential organisational knowledge and exposing them to diverse communication styles and problem-solving skills. Currently in the pilot phase, the program engages 10 mentors and 10 mentees, carefully selected across geographies and functions, with a view to gender balance.

The program's training structure is at the centre of its success. Mentors undergo four comprehensive training modules, equipping them with core mentoring skills, conversational techniques and effective closing strategies. Regular group supervision is also included. Mentees, on the other hand, benefit from modules focussed on structuring conversations and setting goals.

4.8 Regulation

Policy and regulatory developments have featured very high on the agenda of most governments and regulators across the world.

At international level, the 28th United Nations Climate Change Conference took place in Dubai, United Arab Emirates resulting in the landmark UAE Consensus, which includes an unprecedented reference to "transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner, accelerating action in this critical decade, so as to achieve net zero by 2050 in keeping with the science."

In the European Union we saw the adoption of the main elements of the Fit-for-55 Package, a mammoth set of directives and regulations that aims to slash greenhouse gas emissions by 55% by 2030 and that holds the potential to reshape our sector. In particular, the following legal acts were finalised and came into force in 2023:

- amended Energy Efficiency Directive (Directive 2023/1791), with an increased ambition on energy efficiency and heightened obligations to save energy.
- amended Renewable Energy Directive (Directive 2023/2413), which for the first time ever placed an obligation on national governments to source 49% of the energy needed in buildings from renewable sources.
- amended Emission Trading System Directive (Directive 2023/959), which will introduce carbon pricing for fuels used in heating buildings in the scheme as from 2027, resulting in higher costs for heating with gas or oil.
- new Social Climate Fund (Regulation 2023/955) – which will provide dedicated funding to the most affected vulnerable groups, such as households suffering energy poverty, so that they are not left behind in the energy transition.
- new Carbon Border Adjustment Mechanism (Regulation 2023/956) – which aims to put a price on the carbon emitted during the production of goods that are imported into the EU.

At the same time, the co-legislators of European Parliament and Council of the EU reached political agreements on the following legislative acts, with the view to rubber-stamping them in the first half of 2024:

- revised Energy Performance of Buildings Directive, which will prioritise and incentivise the use of higher efficiency and renewable HVAC technologies.
- revised F-Gas Regulation, which will introduce, from 2025 onwards, restrictions on placing on the market of heat pumps containing certain types of refrigerants with a higher global warming potential.
- new Ecodesign for Sustainable Products Regulation, which aims at promoting the durability, repairability, reusability, upgradability, and recyclability of products and that is likely to have an impact on the HVAC sector only at a later stage, circa 2030.
- the revision of the Electricity Market Design – which will have an impact on all electrically-powered, smart and connected appliances such as heat pumps and electric water heaters.

Finally, new proposals impacting the HVAC sector were unveiled by the European Commission in 2023 and will require finalisation in 2024, including:

- the new Net-Zero Industry Act, which is meant to strengthen the European manufacturing capacity of net-zero technologies – including heat pumps – and overcome barriers to scaling up the manufacturing capacity in Europe.
- the new Critical Raw Materials Act, which is meant to ensure secure, diversified, affordable and sustainable supply of critical raw materials, including those contained in heating technologies, in particular heat pumps.

Within Europe, the debate has been most heated in Germany, with the adoption of the revised *Gebäudeenergiegesetz* (Buildings Energy Act), which includes a key requirement to power heating systems with at least 65% renewable energy with a view to phasing out the use of fossil fuels in buildings by 2045. At the same time, changes to the incentive system at Federal level were also discussed and will become operational in 2024. Meanwhile, in France President Emmanuel Macron promised to unleash a new wave of investments in clean technologies with the Green Industry program (*Industrie Verte*), which also includes heat pumps. In the United Kingdom, the Government promised to relax some of the policies around boilers but at the same time increased sharply (+50%) the incentive available under the Boiler Upgrade Scheme for those customers opting for heat pumps instead. Also, the UK announced an indefinite extension of the use of CE marking for goods being placed on the market in Great Britain (England, Wales and Scotland).

Across the Atlantic, the US Administration put the final touches to the Inflation Reduction Act (IRA), making $9 billion available to the states to distribute to low- and moderate-income families for the purchase and installation of new high efficiency heat pumps and more. Higher income families can benefit from expanded 25C tax credits which were also expanded under the IRA. New rules from the Environmental Protection Agency (EPA) were adopted with a view to limiting emissions from hydrofluorocarbons by restricting the use of certain hydrofluorocarbons in several sectors, including heat pumps and air conditioners, but not for heat-pump water heaters, which remain unregulated. Finally, the Department of Energy has adopted several initiatives significantly affecting our industry at large. In the autumn, the final regulation for future commercial water heating equipment efficiency requirements was published, requiring much of the product to be highly efficient, with compliance starting in 2026. For residential products, a notice of proposed rulemaking was published affecting both electric storage and gas storage water heaters. The final regulation is expected in spring 2024, with compliance required sometime in 2029.

Finally, it must be noted that in 2023 several countries either started or continued working on regulatory initiatives related to product efficiency, safety, and waste management. Among others, new regulatory initiatives were implemented in markets such as Ghana and Oman with regards to energy efficiency, Morocco with regards to the safety of gas appliances and India with regards to the waste management of electrical and electronic products, which will have to comply with a Restriction of Hazardous Substances (RoHS) scheme from April 2025. In the EU, debate continued on new ecodesign and labelling rules for both space heaters and water heaters, including a controversial proposal to ban "standalone fossil fuel boilers" which has since been postponed after a consultation with national governments and interested stakeholders.

4.9 Group Financial Review

4.9.1 Net Revenue Performance

	2023		2022	
Thermal Comfort	2,910.5	94.1%	2,187.4	92.0%
Burners	92.9	3.0%	95.9	4.0%
Components	88.4	2.9%	95.5	4.0%
Total Net Revenue	3,091.8	100.0%	2,378.8	100.0%

Revenue by business line

Thermal Comfort. Serves the Group's three main business categories, Hot Water, Heating and Air Treatment, and represents the Group's largest division, recording revenue for 2023 of € 2,910.5 million, or 94.1% of total revenue, compared to € 2,187.4 million in 2022 (92.0%), up by € 723.1 million or 33.1% (of which -2.0% organic and foreign exchange impact).
On 2 January 2023, the Ariston Group completed the acquisition of Wolf-Brink (previously called "CENTROTEC Climate Systems") which is included in the Ariston Group's perimeter starting from January 2023. The revenue increase related to the perimeter variation as at 31 December 2023 is equal to € 808.2 million, entirely included in the Thermal Comfort perimeter. Wolf-Brink is active mainly in Germany and the Netherlands with the Wolf, Brink and Nedair brands in the heating, air handling and ventilation industries.

Burners. Recorded net revenue of € 92.9 million for 2023, or 3.0% of total net revenue, compared to € 95.9 million in 2022 (4.0% of total revenue), with a € 3.0 million or 3.1% decrease (of which -3.0% organic and foreign exchange impact). The lower turnover is essentially due to a significant market slowdown in France and China which has seen volumes decrease, partially offset by a price increase and a more favourable mix.

Components. Recorded net revenue of € 88.4 million for 2023, or 2.9% of total net revenue, compared to € 95.5 million in 2022 (4.0%), down € 7.1 million or 7.4% (of which -6.6% organic and foreign exchange impact). The decrease in revenue was driven by a slowdown in both the Professional business due to a general crisis on the Ho.Re.Ca market and Domestic business due to customers' high stock levels.

Net revenue by geographical area

At 31 December 2023 the net revenue by main country is detailed below:

Country	2023	2022
Netherlands (country of domicile)	132.5	56.6
Germany	811.7	110.2
Italy	310.6	374.6
France	230.0	219.9
Other countries	1,607.0	1,617.5
Total	3,091.8	2,378.8

Europe. This is the Group's largest market, recording net revenue of € 2,281.4 million for 2023, or 73.8% of total revenue, compared to € 1,536.7 million, or 64.6%, in 2022, up € 744.7 million or 48.5% (of which -2.8% organic and foreign exchange impact). The decrease was entirely driven by the strong heating market slowdown in Italy due to the end of government incentive schemes on renewable and high efficiency products. The growth on some important markets - such as Germany, Switzerland, and France - was not able to compensate the significant heating market slowdown in Italy. On the water heating side with general stability in terms of volumes, performance was driven by pricing that offset an unfavourable mix effect.

Asia, Pacific & MEA. This is the second largest market for the Group, recording net revenue of € 535.9 million for 2023, or 17.3% of total revenue, compared to € 541.8 million, or 22.8%, in 2022, down € 5.9 million or -1.1% (of which 4.2% organic and foreign exchange impact). The decrease was driven by negative effect from the local currencies (mainly the Chinese Renminbi, Australian Dollar, Israeli Shekel and South African Rand). The organic growth was driven by a booming water heating renewable market in Australia fuelled by a government incentive scheme and an overall positive effect on prices, partially offset by lower volumes essentially due to the decision to exit the Chinese domestic water heating market starting from Q2 2023.

Americas. This is the Group's third largest market and reported revenue of € 274.5 million for 2023, or 8.9% of total net revenue, compared to € 300.3 million, or 12.6%, in 2022, with a decrease of € 25.8 million, or -8.6% (of which -10.3% organic and foreign exchange impact). The decrease was due to a strong reduction on the US and Canadian heating market.
On the water heating business, the high level of customers' stock led to substantially stable volumes with a positive effect from prices associated with an unfavourable mix.
Furthermore, the Group decided to stop its activities on the Argentinian market.

Perimeter variation

On 2 January 2023, the Ariston Group completed the acquisition of Wolf-Brink (previously called "CENTROTEC Climate Systems") and this is included in the Ariston Group's perimeter starting from January 2023.
Ariston Holding N.V. purchased 100% of both ownership and voting rights of Wolf-Brink from its parent company, Centrotec SE, for € 625.8 million in cash and approximately 41.4 million Ariston's shares.
The revenue increase related to the perimeter variation as at 31 December 2023 is equal to € 808.2 million.

4.9.2 Condensed income statement

The table below shows the income statement (1) for 2023, with a comparison with the previous year, and a breakdown of the total change by organic growth, perimeter, exchange rate effects and hyperinflation.

(in € million)	2023		2022		Total change	%	of which organic	%	of which perimeter	%	of which exchange rates and hyperinflation	%
NET REVENUE	**3,091.8**	**100.0%**	**2,378.8**	**100.0%**	**713.0**	**30.0%**	**-52.5**	**-2.2%**	**808.2**	**34.0%**	**-42.7**	**-1.8%**
Other revenue and income	58.3	1.9%	42.7	1.8%	15.6	36.5%						
Revenue and Income	**3,150.1**	**101.9%**	**2,421.5**	**101.8%**	**728.6**	**30.1%**						
Operating income (expense)	-2,864.4	-92.6%	-2,227.8	-93.7%	-636.6	28.6%						
OPERATING PROFIT (EBIT)	**285.7**	**9.2%**	**193.7**	**8.1%**	**92.0**	**47.5%**	**2.8**	**1.4%**	**89.3**	**46.1%**	**-0.0**	**-0.0%**
Adjustment on operating income (expense)	28.5	0.9%	28.9	1.2%	-0.4	-1.4%						
OPERATING PROFIT ADJUSTED (EBIT ADJUSTED)	**314.2**	**10.2%**	**222.6**	**9.4%**	**91.6**	**41.2%**	**-17.5**	**-7.9%**	**109.2**	**49.0%**	**-0.0**	**-0.0%**
Financial Income and Expense	-30.8	-1.0%	-18.6	-0.8%	-12.2	65.6%						
Profit (loss) on investments	-1.3	-0.0%	4.7	0.2%	-6.0	-127.7%						
PROFIT BEFORE TAX	**253.6**	**8.2%**	**179.8**	**7.6%**	**73.8**	**41.0%**						
TAXES	-62.4	-2.0%	-39.5	-1.7%	-22.9	58.0%						
NET PROFIT	**191.2**	**6.2%**	**140.3**	**5.9%**	**50.9**	**36.3%**						
Net profit attributable to non-controlling Interests	0.0	0.0%	0.1	0.0%	-0.1	-100.0%						
Group Net profit	**191.2**	**6.2%**	**140.3**	**5.9%**	**50.9**	**36.3%**						
Tax effect of Adjustment on operating income (expense)	-7.8	-0.3%	-6.3	-0.3%	-1.5	24.3%						
Reversal of non-recurring taxation effect	0.0	0.0%	0.0	0.0%	0.0	0.0%						
Tax adjustments	**-7.8**	**-0.3%**	**-6.3**	**-0.3%**	**-1.5**	**24.3%**						
NET PROFIT ADJUSTED	**211.8**	**6.9%**	**162.9**	**6.8%**	**48.9**	**30.0%**						
Net profit attributable to non-controlling Interests	0.0	0.0%	0.1	0.0%	-0.1	ns						
Group Net profit adjusted	**211.8**	**6.9%**	**162.9**	**6.8%**	**48.9**	**30.0%**						
Total depreciation and amortisation	131.4	4.2%	89.8	3.8%	41.6	46.3%						
EBITDA	**417.1**	**13.5%**	**283.5**	**11.9%**	**133.6**	**47.1%**	**2.6**	**0.9%**	**131.0**	**46.2%**	**-0.1**	**-0.0%**
EBITDA Adjusted	**422.2**	**13.7%**	**305.3**	**12.8%**	**116.9**	**38.3%**	**-15.5**	**-5.1%**	**132.5**	**43.4%**	**-0.1**	**-0.0%**

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

The Ariston Group ended 2023 with € 3,091.8 million in consolidated Net revenue, up € 713.0 million and +30.0% from € 2,378.8 million in 2022. The increase arises from the organic decrease of the Group (-2.2%) and from a perimeter variation related to the business combination with the Wolf-Brink group finalised in January 2023.

On the Ariston Legacy perimeter, the Thermal Comfort division performance was affected by the end of a government incentive scheme for heating products on the Italian market.
The Burners division recorded lower turnover due to a market slowdown in some important areas, whilst the decrease for the Components division was linked to industry weakness on both domestic and professional products.

EBITDA amounted to € 417.1 million compared to € 283.5 million in 2022. As a percentage of net revenue, EBITDA increased from 11.9% in 2022 to 13.5% in 2023. The acquisition of Wolf-Brink positively contributed to the achievement of the favourable Group outcome.

EBITDA adjusted totalled € 422.2 million in 2023, rising by € 116.9 million compared with 2022. As a percentage of net revenue, it stood at 13.7%, higher than the 12.8% recorded in 2022. The adjusted component amounted to € 5.1 million, compared to € 21.8 million in 2022.

The reduction of the adjusted component in EBITDA comes from the impact of the extraordinary flash floods on 15 September 2022 that hit Italy's central Marche region. The flash floods affected operating profit in several Income statement lines that were treated as adjusted operating income/expenses. The Ariston Group suffered direct damages for € 1.4

million during 2023 and received insurance reimbursement for € 9.3 million covering costs for the current and previous year (net positive impact in the year equal to € 7.9 million).

EBIT adjusted was up in absolute terms and as a percentage of net revenue, amounting to € 314.2 million and 10.2%, respectively, compared to € 222.6 million and 9.4% in 2022.
The adjusted components, relevant to EBIT only, amounted to € 28.5 million (€ 28.9 million in 2022) and were impacted for € 23.4 million in 2023 (€ 7.1 million in 2022) by the amortisation of intangibles arising from the 2019 acquisition of the Mexican Calorex group, the acquisition of the Chromagen group in 2022 and the acquisition of Wolf-Brink in 2023.

EBIT for the period amounted to € 285.7 million, 9.2% as a percentage of net revenue, compared to € 193.7 million, 8.1% of net revenue, in 2022. Wolf-Brink figures strengthened the results of the Group quite considerably. During 2023 EBIT confirmed the favourable trend of the previous year, more specifically in the rising mix and price effect. In addition, the contribution of Wolf-Brink and a better absorption of raw materials and logistics costs led to an increase of the percentage of EBIT compared to net revenue of +1.1pts compared to 2022.

Overall, the Group reported € -30.8 million in financial income and expenses, with a € -12.2 million increase in financial expenses reflecting the impact of the debt raised to fund the Wolf-Brink acquisition along with the interest rate hikes in 2023.
Therefore, operations generated € 253.6 million in Profit Before Tax, 8.2% as a percentage of net revenue, compared to € 179.8 million and 7.6% in 2022.

Group Net profit reached € 191.2 million compared to € 140.3 million in 2022.

Group Net profit adjusted for the period amounted to € 211.8 million, 6.9% as a percentage of net revenue, compared to € 162.9 million, 6.8% of net revenue, in 2022.

4.9.3 Condensed statement of financial position

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

Financial Position *(in € million)*	2023		2022		Total change	%	of which organic	%	of which perimeter	%	of which exchange rates and hyperinflation	%
Trade receivables	365.9	17.6%	308.4	33.8%	57.5	18.6%	5.9	1.9%	52.1	16.9%	-0.5	-0.2%
Inventories	619.0	29.8%	476.8	52.2%	142.2	29.8%	23.5	4.9%	123.5	25.9%	-4.7	-1.0%
Trade payables	-523.9	-25.2%	-494.4	-54.1%	-29.5	6.0%	62.0	-12.5%	-95.9	19.4%	4.4	-0.9%
Net operating working capital[1]	461.0	22.2%	290.8	31.8%	170.2	58.5%	91.4	31.4%	79.7	27.4%	-0.9	-0.3%
% on Net revenue	*14.9%*		*12.2%*									
Net fixed assets	2,131.8	102.6%	847.8	92.8%	1,284.0	151.5%	49.5	5.8%	1,230.8	145.2%	3.7	0.4%
Other non-current assets and liabilities	-265.4	-12.8%	-55.2	-6.0%	-210.2	380.8%	-17.3	31.4%	-192.2	348.2%	-0.7	1.3%
Other current assets and liabilities	-249.9	-12.0%	-170.1	-18.6%	-79.8	46.9%	29.4	-17.3%	-106.7	62.7%	-2.5	1.5%
Net capital employed	2,077.5	100.0%	913.3	100.0%	1,164.2	127.5%	152.9	16.7%	1,011.7	110.8%	-0.4	-0.0%
Net financial indebtedness adjusted	575.0	27.7%	-98.9	-10.8%	673.9	-681.4%	132.8	-134.2%	534.8	-540.7%	6.4	-6.4%
Net equity	1,502.5	72.3%	1,012.2	110.8%	490.3	48.4%	20.1	2.0%	477.0	47.1%	-6.7	-0.7%
of which attributable to non-controlling interests	*-0.1*	*0.0%*	*-2.2*	*0.2%*	*-2.4*	*ns*	*-2.3*	*-98.8%*	*0.0*	*0.0%*	*-0.1*	*-5.7%*
Total financing sources	2,077.5	100.0%	913.3	100.0%	1,164.2	127.5%	152.9	16.7%	1,011.7	110.8%	-0.4	-0.0%

[1] *refer to paragraph 4.11 for the reconciliation of the APM*

Financial Position Ratios	2023	2022
DSO (Days Sales Outstanding - going back)	43.5	44.8
DPO (Days Payables Outstanding - going back)	91.0	97.6

In 2023, the Ariston Group reported € 2,077.5 million in **Net capital employed,** up from € 913.3 million in December 2022.

Net operating working capital significantly increased in both absolute and percentage terms compared to December 2022. The increase was caused by the perimeter variation linked to the Wolf-Brink acquisition and an increase in inventories. The increase in heating finished products associated with the slowdown in demand in some important markets represented the primary cause of the higher inventory level and the lower amount of payables in the legacy perimeter.

The DSO improvement and decrease in DPO are mainly due to the Wolf-Brink business.

Net financial indebtedness adjusted amounted to € 575.0 million as of December 2023 and the increase compared to the previous year was due to the cash-out for the acquisition of Wolf-Brink.

Net fixed assets amounted to € 2,131.8 million, up from € 847.8 million in December 2022. Fixed asset investments, excluding the perimeter variation of Wolf-Brink, increased by 38% compared to the previous year. The biggest driver of the growth was the perimeter variation of € 1,230.8 million related to the Wolf-Brink business combination.

Other non-current assets and liabilities totalled € 265.4 million, compared to € 55.2 million in December 2022, up € 210.2 million compared with the previous year. The significant variation ensues mainly from: a) the recognition of deferred tax liabilities in the purchase price allocation performed for the Wolf-Brink business combination totalling € 148.4 million and b) from the perimeter variation and change in the financial assumptions for Defined Benefit Obligations under IAS 19 for € 48.6 million.

Other current assets and liabilities totalled € 249.9 million, compared to € 170.1 million in December 2022, up € 79.8 million compared with the previous year. The change was caused by a series of factors such as a net increase in VAT receivables (€ 18.8 million), net tax liabilities (€ 11.7 million), employees' debt (€ 22.2 million), contract liabilities and other deferred income for € 28.5 million, including € 17.4 million for perimeter variation.

Net equity amounted to € 1,502.5 million, compared to € 1,012.2 million in the previous year. The overall € 490.3 million increase was due to the Net profit in 2023 of € 191.2 million, € 398.6 million for the capital increase linked to the business acquisition of Wolf-Brink and an impact of € 5.4 million for the expense of LTI plans for 2023. The increase was offset by € 24.4 million of the cash flow hedge reserve, € 8.7 million of the variation due to the buyback of treasury shares, € 8.5 million of negative exchange rate effect on the translation of equity, € 5.2 million of the remeasurement reserve decrease (IAS 19) and € 48.3 million for the dividend pay-out.

Reconciliation between amounts included in the "Condensed statement of financial position" and the "Consolidated statement of financial position"

The items included in the "Condensed statement of financial position" and listed below can serve to facilitate comparison with groups operating in the same sector and are defined as the algebraic sum of specific items contained in the financial statements:

Net fixed assets, calculated as the algebraic sum of:

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

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

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

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

- other current assets;
- current tax receivables;
- assets held for sale;
- current tax payable;
- current provisions for risks and charges;
- other current liabilities.

Net capital employed, calculated as the algebraic sum of the items listed above and in particular:

- net operating working capital;
- net fixed assets;
- other non-current assets and liabilities;
- other current assets and liabilities.

Net financial indebtedness adjusted, refer to paragraph 4.11 for the reconciliation of the APM.

4.9.4 Net Operating Working Capital

Net operating working capital *(in € million)*	As at 31 December 2023	As at 31 December 2022	Total Change	of which organic	of which perimeter	of which exchange rates and hyperinflation
Trade receivables	365.9	308.4	57.5	5.9	52.1	-0.5
Inventories	619.0	476.8	142.2	23.5	123.5	-4.7
Trade payables	-523.9	-494.4	-29.5	62.0	-95.9	4.4
Net operating working capital[1]	461.0	290.8	170.2	91.4	79.7	-0.9
% on Net revenue	*14.9%*	*12.2%*				

[1] *refer to paragraph 4.11 for the reconciliation of the APM*

Net operating working capital totalled € 461.0 million, 14.9% as a percentage of net revenue, compared to € 290.8 million and 12.2% at the end of December 2022.
Thanks to the effective management of both trade receivables and trade payables, working capital remained at a sound level, in percentage terms, even during a period of strong demand fluctuation from end customers.

Trade receivables totalled € 365.9 million and 11.8% as a percentage of net revenue, compared to € 308.4 million and 13.0% in December 2022, with Days Sales Outstanding at 43.5 and 44.8 days respectively.

Inventories amounted to € 619.0 million and 20.0% as a percentage of net revenue, unchanged compared to the previous year. The Group launched initiatives, especially towards the end of the year, to reduce planned stockpiling to support customer demand.

Trade payables increased to € 523.9 million, 16.9% as a percentage of net revenue, compared to € 494.4 million and 20.8% in December 2022. Days Payable Outstanding saw a decrease, down to 91.0 from 97.6 days in December 2022. The decrease was due to the perimeter variation of Wolf-Brink. With an unchanged perimeter at December 2023 compared to December 2022, DPO remains almost stable, up to 98.6 from 97.6. The Ariston Group is committed to careful management of procurement contracts and relevant terms and conditions.

Organic growth totalled € 91.4 million, the perimeter variation following the business combination with Wolf-Brink amounted to € 79.7 million, while the exchange rate effect was negative for € 0.9 million.

4.9.5 Reclassified statement of Cash flows

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

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

CASH FLOWS *(in € million)*	2023	2022
Net Financial Indebtedness adjusted at the beginning of the period	98.9	184.8
EBITDA	417.1	283.5
Taxes paid	-74.0	-35.4
Provisions and other changes from operating activities	24.3	-1.4
Changes in net operating working capital	-63.8	-115.8
Cash flows from Operating activities	303.5	130.9
Capital expenditure	-158.7	-78.6
IFRS 16 leasing payment	-32.7	-23.1
Other changes	-0.6	2.4
Free Cash flow	111.6	31.7
Cash flows from Financial investments activities	-651.3	-77.2
Cash flows from Other activities	-77.5	-69.5
Total Net Cash flow	-617.2	-115.0
Non-cash items	-56.7	29.1
Net financial position at the end of the period (*)	-575.0	98.9

** Positive figures represent net cash.*

Net cash flow reflected a cash flow absorption of € -617.2 million, down on € 502.2 million in the same period of the previous year.

The acquisition of Wolf-Brink impacted the Financial investment activities in the reporting period.

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

The rise in taxes paid to € 38.6 million was in line with the business's year-on-year growth and was influenced by an advance tax payment recovery of € 4.9 million, which had a beneficial effect on 2022.

Provisions and other changes from operating activities resulted in cash generation of € 24.3 million mainly driven by the positive impact of employees' liabilities and the positive effect of customers' advances and deferred income expenses.

Net operating working capital recorded a cash absorption of € 63.8 million net of a positive effect of € 26.9 million from the Wolf-Brink business acquisition. Refer to paragraph 4.9.4 Net Operating Working Capital for more details.

Free Cash flow improvement was driven by EBITDA growth, partially offset by the cash flow absorption related to changes in net operating working capital and an addition of € 158.7 million in capital expenditure.

Financial investments activities included the cash outflow for the business acquisition. The delta between 2023 and 2022 on financial investments activities was due to the acquisition of Wolf-Brink.

Other activities included € -48.3 million in dividends, € -8.7 million for the buyback of treasury shares, € 0.7 million in divestments, € 0.6 million related to the Italian 'Ecobonus' programme and € -21.8 million in financial and exchange charges absorbed.

Non-cash items include non-cash components with no impact on the Net Cash flows such as MTM and IFRS16 variation and the exchange rate effect on Net Financial Indebtedness.

4.9.6 Net financial indebtedness

The main differences between **Net Financial Indebtedness adjusted** and **Net Financial Indebtedness** imply the inclusion of the financial liabilities of the Put and Call option under gross debt and the exclusion of positive Mark To Market derivatives and escrow accounts from Financial Assets under **Net Financial Indebtedness**.

	Net Financial Indebtedness	2023	2022
	(in € million)		
A	Cash	451.2	999.2
B	Cash equivalents including the current financial assets	0.0	0.1
C	Other current financial assets	10.1	12.3
D	**Liquidity (A+B+C)**	**461.3**	**1,011.6**
E	Current financial liabilities	-75.7	-53.5
F	Current portion of non-current financial liabilities	-46.7	-32.7
G	**Current Financial Indebtedness (E+F)**	**-122.5**	**-86.2**
H	**Net Current Financial Indebtedness (G-D)**	**338.9**	**925.4**
I	Non-current financial liabilities	-942.1	-865.2
J	Non-current financing (Debt instruments)	0.0	0.0
K	Non-current Trade and Other Payables	-7.7	0.0
L	**Non-Current Financial Indebtedness (I+J+K)**	**-949.8**	**-865.2**
M	**Net Financial Indebtedness (H+L) (*)**	**-610.9**	**60.2**

Reconciliation Net Financial Indebtedness (€ million)	2023	2022
Net Financial Indebtedness	**-610.9**	**60.2**
Put and Call liability	10.9	3.8
Escrow	7.9	0.0
Positive MTM	17.1	34.8
Net Financial Indebtedness adjusted (*)	**-575.0**	**98.9**

** Positive figures represent net cash.*

Net Financial Indebtedness adjusted (including lease liabilities) corresponded to a net cash position of € -575.0 million, compared to the € 98.9 million net cash at 31 December 2022.

As of 31 December 2023, liquidity amounted to € 451.2 million excluding back-up credit facilities. Ariston has an unused committed revolving credit facility totalling € 895 million.

During 2023, the Group contracted new debt facilities: (a) one medium/long-term syndicated line with major international financial players and (b) one Schuldschein Agreement.

At 31 December 2023, long-term debt amounted to € 902 million, with an average maturity of over 4.5 years. 64% of debt is fixed or hedged and 36% is at a variable rate.

Short-term debt due to banks at the end of 2023 amounted to € 17.1 million. The used and unused credit lines (both committed and uncommitted) totalled approximately € 2.2 billion, of which 43% had been drawn.

4.9.7 Capital Expenditures

In 2023, the Ariston Group's capital expenditure totalled € 158.7 million, 5.1% as a percentage of net revenue, compared with € 78.6 million in 2022, with an increase year-on-year, on the same perimeter, of 41.7%.

Investments include:

- Investments in physical assets and new products.
  The main projects during the year were related to the new footprints: in the Cerreto site for the final phase of top of the range electric water heater production lines; the new Fabriano plant purchasing and the first step for a new plant for cylinder production. Furthermore, the Group continued to invest in renovation and safety upgrades of plants at various sites in order to improve their efficiency (Genga, Cerreto, Osimo, Chartres, Centurion, Arcevia, Resana, Namur); rationalisation of the footprint (Wuxi); and the increase in production capacity to meet growing market demand (Albacina and Mainburg). The Group made investments in new products in the field of large-scale domestic water heating (Quadris), new slim platforms (Hanoi) and new heat-pump water heaters for Australia. On the heating business, the Group continued to invest in various laboratories dedicated to heating heat pumps to equip them with state-of-the-art equipment for product testing to improve quality tests and heating system simulation (Albacina, Osimo, Cambiago). Finally, a significant part of spending was dedicated to customer-oriented initiatives (new visitor centre in Mainburg, training rooms, office renovation) and direct service equipment.

- R&D investments.
  The Group capitalised water heating projects related to the development of new products: and new heat-pump water heaters for Australia, and new products in the field of large-scale domestic water heating for European markets. In environmental heating, the capitalised R&D costs related to both mainstream and top of the range HHP projects using the latest generation of refrigerant gas.

- Digital investments.
  During 2023, the Group continued to work on new evolved systems for Finance, product life cycle management, and digital management of the supply chain. In the commercial area, the adoption of Group systems in the customer relations and installer management areas was progressively extended to new countries and continuously developed to meet counterparts' expectations.

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

Lastly, investments for the right-of-use of third-party assets were related to tangible assets at 31 December 2023. The yearly addition totalled € 37.6 million and was attributable to offices, buildings, plants and machinery, and vehicles, compared to € 22.5 million in 2022.

4.9.8 Company and Group net profit and net equity

Regarding information on the Company Ariston Holding N.V.'s and the Group's net profit and net equity, prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and the International Financial Reporting Standards issued by the International Accounting Standards Board ('IASB') and endorsed by the European Union ('IFRS-EU'), please refer to the paragraph 'Equity' in the company's financial statements at 31 December 2023.

4.10 Full year 2023 conclusion and outlook

2023 was another year of robust growth for the Ariston Group, which reported revenues exceeding € 3 billion, increasing by 30% year-on-year and factoring in the acquisitions of Wolf and Brink. While the global geopolitical situation continued to trigger a series of disruptive events, the Group delivered a solid performance across all major target regions and business segments, with a special mention going to renewable heating solutions in Europe, also thanks to the resilience of our supply chain, planning, and manufacturing base.

2023 marked a fundamental milestone in respect to the Ariston Group's future development: the acquisition of the Wolf-Brink business (formerly called CENTROTEC Climate Systems) - the Group's biggest ever deal, announced in September 2022 and finalised in January 2023 - was a significant step in the Group's sustainable heating, also increasing its ESG focus and consolidating its positioning in Europe.

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

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

Heat pumps are confirmed as the leading technology for the future, especially in those markets where the Ariston Group can count on a significant presence. In parallel, although electrification remains the focus, the Ariston Group will continue to pursue a multi-energy approach, to effectively tackle the sustainability challenge by leveraging different innovative technologies such as hydrogen, hybrid solutions, thermally-driven heat pumps and demand response, to favour energy efficiency and accelerate the energy transition by intercepting all building stock needs.

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

Finally, the integration of the Wolf-Brink business proceeds, the Ariston Group will progressively benefit from the potential inherent in the quality and complementarity of the brand and product portfolios; from the organisational, technical, technological and human resources made available to the Group; as well as from the reinforced positioning of the Group in Central Europe.

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

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

The Group believes that these non-GAAP financial measures enhance the capacity to evaluate its financial performance and financial position and give management and investors pertinent and helpful information about performance. They also give Group comparative metrics that help management recognise operational patterns and decide how best to allocate resources going forward and for other operational decisions. The financial measures the Group uses may not be comparable to other similarly titled measures used by other companies, even though they are widely used in the industry in which the Group operates. They are also not meant to be a replacement for measures of financial performance or financial position as prepared in accordance with IFRS.

Financial measures used to measure Group operating performance

The Alternative Performance Measures used by the Group are the following:

- EBIT (Operating profit) adjusted: the operating result for the period net of the adjustment on operating income (expense)
- EBITDA: EBIT (operating profit) before depreciation and amortisation of intangible and tangible fixed assets and leased assets.
- EBITDA adjusted: EBITDA as defined below, net of the adjustment on operating income (expense), less the amortisation of purchase price allocation from Merger & Acquisition activity.
- Group net profit adjusted: the result for the period attributable to the Group before adjustment on operating income (expense), before the relevant taxation effect and before other positive/negative tax adjustments for the period.

  The adjustments impacting the APMs reported above relate to certain transactions or events identified by the Group as adjustment components for the operating result, such as:

  - capital gains (losses) on the disposal of businesses/buildings;
  - impairment on tangible and intangible assets;
  - strategic multi-year restructuring and reorganisation programme costs;
  - ancillary expenses associated with acquisitions/disposals of businesses/buildings or companies;
  - P&L impact of purchase price allocation from Merger & Acquisition activity (such as amortisation);
  - tax adjustments: the tax effects of transactions or events identified by the Group as components adjusting the taxation for the period related to events covering a single period or financial year, such as:
    - tax effects of Adjustment on operating income (expense) positive/negative taxation effects associated with the adjustment on operating income (expense);
    - reversal of non-recurring taxation effect non-recurring positive/(negative) taxation effects.

For a detailed reconciliation of the items that had an impact on the alternative performance measures referred to above in the current and comparison years, see the appendix at the end of this section.

- Net operating working capital, calculated as the algebraic sum of:
  - trade receivables, which includes supplier debit balances;
  - inventories;
  - trade payables, which includes customer credit balances.

  For a detailed reconciliation of the net operating working capital, see the appendix at the end of this section.

- Net Financial Indebtedness adjusted: calculated as the algebraic sum of:
  - Net Financial Indebtedness ;
  - Put and call liability;
  - Escrow accounts;
  - Positive Mark to Market.

  Full reconciliation with Net Financial Indebtedness is provided in paragraph 4.9.6.
- Days Sales Outstanding: Trade receivables net of advances going back to absorb gross revenue without VAT.

  Refer to paragraph 4.9.3 for further information.
- Days Payables Outstanding: Costs and capital expenditure (Capex) going back to cover accounts payable.

  Refer to paragraph 4.9.3 for further information.
- Free cash flow: cash flow that measures the Group's self-financing capacity on the basis of cash flows from Operating activities, capital expenditure, IFRS16 lease payments, and other changes.

  Refer to paragraph 4.9.5 for reconciliation and further information.
- Organic change: calculated by excluding both the impact of currency movement against the euro (expressed at monthly average exchange rates for the same period in the previous year) and the effects of business acquisitions and disposals.

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

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

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

  Refer to paragraphs 4.9.2 and 4.9.3 for further information.

Appendix of Alternative Performance Measures

In 2023, EBITDA, operating profit (EBIT), and Group Net profit were adjusted to take into account the items shown in the table below.

		2023	2022
A	**EBIT (Operating profit)**	**285.7**	**193.7**
B	Adjustment on operating income (expense) on EBIT	-28.5	-28.9
C	**EBIT (Operating profit) adjusted (A-B)**	**314.2**	**222.6**
D	Depreciation and amortisation	131.4	89.8
E	**EBITDA (A+D)**	**417.1**	**283.5**
F	Adjustment on operating income (expense) on EBITDA	-5.1	-21.8
G	**EBITDA adjusted (E-F)**	**422.2**	**305.3**
H	Financial income/(expenses)	-30.8	-18.6
I	Profit/(loss) on investments	-1.3	4.7
J	Taxes	-62.4	-39.5
K	Net profit attributable to non-controlling Interests	0.0	0.1
L	**Group Net profit (A+H+I+J+K)**	**191.2**	**140.3**
M	Tax adjustments	-7.8	-6.3
N	**Group Net profit adjusted (L+M-B)**	**211.8**	**162.9**

The adjustments are summarised in the table below:

For the Year ended 31 December 2023	EBITDA € million	EBIT € million	Group Net profit € million
GAAP measures (EBIT and Group Net profit) / APM (EBITDA)	417.1	285.7	191.2
Capital gains (losses) on the disposal of business/building	0.4	0.4	0.4
Strategic multi-year restructuring and reorganisation programme costs	5.4	5.4	5.4
Ancillary expenses associated with acquisitions/disposals of business/building or companies	3.1	3.1	3.1
Impairment loss on goodwill, trademark and on tangible assets	1.1	1.1	1.1
Flash flood costs net of insurance reimbursement	-7.9	-7.9	-7.9
P&L impact of purchase price allocation from Merger & Acquisition activity (such as amortisation)	3.0	26.4	26.4
Tax adjustments (i.e. tax impact on the above adjustments)	-	-	-7.8
Total adjustments	5.1	28.5	20.7
Alternative Performance Measure adjusted	422.2	314.2	211.8

For the Year ended 31 December 2022	EBITDA €million	EBIT € million	Group Net profit € million
GAAP measures (EBIT and Group Net profit) / APM (EBITDA)	283.5	193.7	140.3
Capital gains (losses) on the disposal of business/building	-0.6	-0.6	-0.6
Strategic multi-year restructuring and reorganisation programme costs	6.9	6.9	6.9
Ancillary expenses associated with acquisitions/disposals of business/building or companies	0.3	0.3	0.3
Ukraine & Russia conflict/others	4.4	4.4	4.4
Flash flood costs net of insurance reimbursement	10.8	10.8	10.8
P&L impact of purchase price allocation from Merger & Acquisition activity (such as amortisation)	-	7.1	7.1
Tax adjustments (i.e. tax impact on the above adjustments)	-	-	-6.3
Total adjustments	21.8	28.9	22.6
Alternative Performance Measure adjusted	305.3	222.6	162.9

The reconciliation of the net operating working capital is summarised in the table below:

	2023	2022
Trade receivables as reported	361.3	308.4
Supplier debit balances*	4.6	-
Trade receivables in the Net operating working capital	365.9	308.4
Trade payables as reported	(463.7)	(481.4)
Customer credit balances**	(60.2)	(13.1)
Trade payables in the Net operating working capital	(523.9)	(494.4)
Inventories	619.0	476.8
Net operating working capital	461.0	290.8

**Supplier debit balances are included in ‘Other current assets’ within the Consolidated statement of financial position*
***Customer credit balances are included in ‘Other current liabilities’ within the Consolidated statement of financial position*

4.12 Investor information

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

The Group interacts with the financial community through both one-to-one and group meetings with investors, with the participation of the Investor Relations function - along with the CEO and top management on select occasions - on digital platforms and in person.
The year ended with coverage from ten sell-side brokers, compared to eight at the end of 2022.

Dividend

The Board voted to propose a dividend of € 0.17 per share to the general meeting for the year 2023, gross of withholding taxes, representing a pay-out ratio of 33%.

The dividend will be paid on 22 May 2024 (with an ex-coupon date of 20 May 2024 in accordance with the Italian Stock Exchange calendar, and a record date of 21 May 2024). The Board resolved to convene the annual general meeting to be held on 6 May 2024.

5. Governance

Effective risk management, integrated into the governance system, is a key factor in protecting the Ariston Group's value over time. The Ariston Group's Internal Control System has therefore been gradually developed, drawing inspiration from, among other sources, the principles and best practice provisions laid down in the Dutch corporate governance code.

The Dutch corporate governance code was amended on 20 December 2022 and entered into force as for the financial year beginning on or after 1 January 2023. The most significant amendments to the Dutch corporate governance code relate to sustainable long-term value creation, the role of stakeholders and diversity and inclusion. Dutch companies whose shares are admitted to trading on an EU regulated market, such as Ariston Holding N.V., had to amend their existing policies and procedures by the end of the financial year 2023. The Board updated the Board rules and several policies in November 2023 in accordance with the new Dutch corporate governance code.

5.1 Risk management

5.1.1 Risk management framework

The Group, in compliance with the provisions of the Dutch corporate governance code and as per international best practices on internal risk management and control systems, adopts a Risk Management process aimed to assess, manage and monitor the risks that could affect the business and its operations.

The Group's Enterprise Risk Management (ERM) has been structured by taking the COSO ERM Framework (Committee of Sponsoring Organisations of the Treadway Commission) as a reference to build up the ERM Methodology and the related risk catalogue.

In accordance with ERM methodology, the risk events that could affect the achievement of the Group's strategic objectives are assessed in terms of the likelihood of their occurrence and their economic impact.
The risks are evaluated in terms of both "inherent risk", representing the risk in the absence of any intervention, and "residual risk", which considers the effectiveness of implemented mitigation actions.
Management is responsible for identifying the risks and defining and implementing appropriate mitigation action plans aimed at reducing the likelihood/impact of the risks faced by the Group, according to its risk appetite.

In order to ensure the adequacy of the risk management and internal control system, the Group has adopted the Internal Control System Framework composed of Three Levels of Defence, establishing clear roles and responsibilities for the different functions involved:

- First Line of Defence – Risk & control owners: responsible for achieving the business goals, embedding risk management and the internal control system into operational processes. Risk and control owners have the responsibility and accountability to identify, manage and monitor risks and opportunities, defining and implementing mitigation actions, working independently or with the support of the second line of defence functions;
- Second Line of Defence – Risk & control support: composed of functions that support and oversee the activities of the first line, providing systems, methods, tools and specialised information in order to increase risk awareness and its deployment across the entire organisation;
- Third Line of Defence – Risk & control independent assurance: composed of the Internal Audit Department that ensures the monitoring and evaluation of the effectiveness and efficiency of the Internal Control and Risk Management System. Characterised by clear independence from the business and a high degree of autonomy, reporting directly to the Executive Chair of the Board and to the audit committee (composed of three independent non-executive directors).

Risk Transfer

As part of the Group's risk management approach, in order to minimise the uncertainty and the potential impacts deriving from specific risk events, the Group has decided to transfer, where feasible, the residual risk exposure to the insurance market. The Group has defined the insurance strategy based on its risk appetite, effectively balancing the risk coverage and the related insurance costs. The Group's insurance management is supported by a specialised broker with a network operating on an international scale. Through the Global Policies, every Group company is currently covered against the following key risks: all material damages and business interruption; public and product liability; marine cargo; directors' and officers' liability.

Continuous improvements in the Ariston Group's Risk Management System

The Group promotes the continuous improvement of the risk management system according to the evolution of strategies and changes that have occurred with the main risks and uncertainties. As we continue to evolve our Group ERM system, we are committed to identifying the best practices and to refining our methodologies and processes.

5.1.2 Risk appetite

The Group Risk Appetite, defined as the level of risk that the Group is willing to accept to achieve its objectives, is applied to business objectives, the Code of Ethics, corporate values, policies and applicable laws and regulations. As represented in the table below, the risk management and internal control system is composed of different risk categories, each with its specific risk appetite:

Risk Category	Category Description	Risk Appetite
Strategic	Risk related to the Group's business strategy that could affect its long-term positioning and performance.	The Group is willing to accept risks in a responsible way, in order to achieve its strategic objectives, taking into consideration stakeholders' interests.
Operational	Risk that may affect internal processes, people, systems and/or external resources that influence the Group's ability to pursue its strategy.	The Group works on mitigating operational risks by implementing standardised quality procedures and controls that extend to suppliers, production line performance and management of business continuity. Furthermore, suppliers are carefully selected and alternative sources are monitored.
Compliance	Risk of non-compliance with laws, regulations, local standards, the Code of Ethics, and internal policies and procedures.	The Group and our employees believe in acting with honesty, integrity and respect, including compliance with our Code of Ethics as well as with the laws and regulations applicable wherever we operate.
Financial	Risk relating to uncertainty of returns and potential financial losses due to financial performance.	The Group has a cautious approach to financial risks. Through debt capital market transactions, cash balances and bank credit line agreements, the Group tries to maintain a debt/capital structure profile that allows investing in long-term objectives and rewarding stakeholders.

5.1.3 Main risks and uncertainties to which the Group is exposed

The main risks and uncertainties to which the Group is exposed are reported below, classified according to the identified categories. The ERM model integrates Environmental, Social and Governance (ESG) risks, improving the organisation's challenges related to environmental impact, social responsibility, and governance practices.
As the Ariston Group, we face a variety of risks in our business. The risks and uncertainties described are not the only ones that we are exposed to. Additional risks and uncertainties that we are unaware of might also become important factors that affect us.

a) Strategic risks

The Group is exposed to changes in markets, end-user demand and preferences and the Group's success depends on its ability to develop and maintain product offerings that keep pace with these trends.

The markets in which the Group competes are characterised by frequent new product launches and enhancements, shifting end-user preferences and demand, as well as changing industry standards, public incentives and regulatory requirements. The Group's future success will depend on its ability to consistently address changes in end-user demand and develop product offerings that meet evolving customer preferences.
The Group is exposed to the risk of losing market share and revenues in a situation where the changes in end-user preferences and demand are faster than the Group's ability to adapt its product offerings. Furthermore, the Group faces the risk of a sudden increase or decrease in demand, also due to local public incentives, causing the Company to have either insufficient or excessive inventory levels, or an inadequate mix of available products.
In addition, the Group is exposed to aggressive competition in the Asiatic market where multi-category big players are fast at developing new products and invest significantly in marketing activities and digital campaigns.
The Group's mitigation actions are focused on evolving its product portfolio, offering innovative solutions both with regard to digitalisation and the sustainability of technologies. Furthermore, the Group listens to customers, technicians and end users in order to meet their needs and market demand.
Additionally, the Group is engaged in reinforcing brand awareness, increasing the quantity and quality of marketing investments.

The Group is exposed to social and geopolitical instability in the countries where it operates.

The Group's growth strategy focusses on a continuous expansion within the Group's existing geographical areas, as well as entering new markets. The Group operates in emerging markets and in some countries where the political situation, geopolitical instability and corruption are higher than in other geographies.
The ongoing Russia-Ukraine conflict continues to generate volatility and uncertainty, alongside the risks of increasing import/export restrictions or business bans.
The conflict between Israel and Palestine that started in late 2023 and the expansion of the Middle East conflict forced cargo ships to circumnavigate Africa instead of passing through the Suez Canal.
As the Group operates in Israel with industrial operations, sales and aftersales, the impact of this conflict could generate a slowdown of business in this area. In addition, the Suez Canal crisis is generating impacts on logistic costs and time of delivery of goods imported/exported from/to Asia.
The Group's success as a multinational business depends upon its ability to anticipate and effectively manage political, social and economic conditions and developments. The Group's mitigation actions are mainly focused on continuously monitoring the social and geographical environments in which it operates, in order to anticipate and minimise vulnerabilities, adopting prudent measures and enhancing the possibility to shift production to different locations.
Moreover, specific measures are in place to adjust inventory levels in countries where the geopolitical phenomena are uncertain and to adapt the MRP (Material Replenishment Planning), for example anticipating orders for those countries affected by the crisis.
The Group has maintained a neutral position regarding the Ukraine-Russia conflict, focusing on managing current business in compliance with business bans, international laws and regulations. In line with the Group's values, the Group is committed to safeguarding its employees and their workplaces. Sustenance and support have been provided to the Group's employees and their families in Ukraine, such as emergency help, transportation and pick-ups, accommodation, and economic support. Operations in both local markets have been maintained, nonetheless the Group has limited its exposure, reducing investments.

The Group faces the risk of non-compliance with environmental laws and regulations and its success partially depends on the ongoing market trend towards increased sustainability and government incentives.

The Group acknowledges the impact that its operations and its supply chain could generate on the environment and the need to address climate change. Therefore, it has strong ambitions and is continuing to invest to optimise the energy efficiency of its operations and products, focussing on electrification and renewable sourcing. As part of this strategy, critical suppliers have been engaged to contribute to sustainable development.
Furthermore, the Group is committed to improving the environmental impact of thermal comfort solutions, by selling innovative and more sustainable products.

The risks are related to current and expected trends that could change due to several factors that are outside the Group's control, including the modification or elimination of customer incentives or the regulations imposed, encompassing environmental protection, materials traceability, waste management and the promotion of a circular economy.
Adherence to these regulations may lead to increased costs associated with product innovation, new technology developments, liabilities, including fines and/or remediation obligations. Such implications have the potential to affect the Group's business, financial condition and/or results.
Starting from 2018, the Ariston Group has set the pathway and targets to fully incorporate sustainability into its strategy, including establishing a sustainability governance framework. Indeed, the Group's risk mitigation efforts are primarily focussed on monitoring regulatory changes to anticipate future trends. In addition, increased efforts and commitment are in place to maintain compliance with laws and regulations as well as to reduce the environmental impact that may be caused by the Group's activities. A decarbonisation strategy and a monitoring system have been defined to reduce direct and indirect emissions in light of carbon neutrality and energy efficiency as international and national goals. To achieve these objectives the Group is investing in R&D, production capacity and the necessary skills and resources needed to contribute to the transition, which will lead to a significant avoidance of CO2 emissions.
Furthermore, the Group has developed a product lifecycle management strategy to address the need to guarantee best practice throughout the whole product life cycle, managing a product's entire journey, from initial ideation and development to service and disposal.

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

The expansion strategy of the Group includes achieving growth through acquisitions to strengthen the Group's vision, competitive standing and role in the sector. However, there is the risk that the Group may not be able to successfully realise strategic acquisitions, for example due to competition from other potential buyers or difficulties experienced in executing such acquisitions. This could result also from challenges in obtaining necessary regulatory approvals or other factors, such as actual or potential legal disputes or political resistance.
Engaging in growth through acquisitions also exposes the Group to the risk of encountering challenges in effectively integrating newly acquired businesses. Moreover, there is the risk of losing key managerial positions, which could have significant implications for the continuity of operations and the realisation of the expected synergies.
The current landscape shows increasingly concentrated businesses and frequent mergers and acquisitions. Consequently, the Group might need to seek bank loans or financing, potentially facing higher interest rates that could have impacts on the financial position.
The Group's mitigation actions are mainly focused on strengthening its acquisition strategy and M&A roadmap. The Company has set up strict strategic and financial criteria for acquiring new businesses. Moreover, the Ariston Group's investment decisions are selective and focussed on businesses with a proven track record. In addition, accurate analysis is carried out to understand risks and potential synergies. The Company conducts broad-based due diligence of acquisitions with a clear understanding of SWOT analysis and red flags of target companies, using internal expertise and top external due diligence and legal professionals. For the post-merger and integration phases, the Company defines dedicated teams and change management project offices aimed at aligning strategies, balancing business culture with processes to secure the achievement of objectives and synergies. For the most important acquisitions, retention and development programs have been set up to safeguard key managerial positions and mitigate the risk of losing key competences.
The Group's Treasury department, the Chief Financial Officer, the Audit Committee and the Board constantly and periodically monitor the Group's liquidity, debt, cash flows and net financial position.

b) Operational risks

Within the category of operational risks, we have incorporated environmental, cybersecurity and health and safety risks. These risks carry the potential to extend their impact beyond operational aspects, influencing legal and compliance perspectives as well. This highlights the interconnected nature of these risks and emphasises the importance of addressing them comprehensively to ensure mitigation actions covering both operational and legal/compliance aspects.

The Group depends on key raw materials and components to manufacture its products, including some produced by a limited number of suppliers; any shortages in such materials or components, increases in prices or supplier disruption 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, components and specific finished products. The market prices and availability of materials and utilities, crucial for the Group's operations, can experience significant fluctuations depending on market conditions, inflation, technological advancements and legislative changes.
In 2022, prices for components sourced from Asiatic markets increased. Simultaneously, the costs of utilities and fuels rose, influenced by the Russia-Ukraine conflict, along with elevated costs in raw materials and transportation. Due to this situation, the market experienced an increase in inflation rates and in 2023, although the purchase prices of several components decreased, the costs of some raw materials and utilities remained high.
Furthermore, the Group faces risks associated with a potential shortage of suppliers, particularly for certain raw materials and components sourced from a single provider or a limited number of suppliers. While the Group does not perceive itself as materially dependent on any single supplier, it has implemented systems to mitigate the impact of supplier disruptions. The Group has identified secondary sources and established mechanisms of double sourcing without causing disruptions to its operations. These proactive measures are in place to safeguard against potential challenges in the supply chain and ensure business continuity.
The Group's other mitigation actions are focussed on monitoring price fluctuations through specific KPIs, revising hedging policies and implementing energy saving projects at its European plants.
Additionally, the Group has established a bi-monthly steering committee with the CEO to review the main critical issues and the action plan from both a supply and planning perspective, and a weekly interaction between procurement and global operations to review each critical issue for each plant.

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

Operating in the industrial sector and managing several production plans, employees in the Group may be exposed to various workplace hazards, including those related to chemicals, ergonomics and physical conditions. These risks may cause harm or have adverse effects, leading to work-related accidents and illnesses.
Although the Group implements all necessary measures, as required by applicable laws, regulations and industry standards, to monitor and effectively manage such risks, including systematic assessments aimed at eliminating hazards and reducing the associated risks, it cannot provide an absolute assurance of complete risk elimination or the absence of accidents in its facilities.
The occurrence of workplace-related accidents or illnesses could cause interruptions or delays in production, with immediate effects on the site affected, with regard to its ability to supply products, and may expose the related legal entity to lawsuits, Group reputational damage, and increased costs and liabilities.
The Group's mitigation actions are primarily focussed on reducing the frequency and severity of the accidents and on conducting activities to enhance control and management of risks, with strict adherence to current legislation. This includes a specific emphasis on strengthening the Group's Health, Safety and Environment (HSE) Management System in alignment with ISO requirements. The HSE function has deployed communication methodologies to disclose the HSE performance indicators. This initiative engages all the levels of the organisation (bottom-up), creating awareness and commitment to continuous improvement.
At each site where the Group operates, roles and responsibilities have been assigned to corporate and local resources. The Corporate HSE function oversees and coordinates local resources, by providing policies and guidelines for the proper management of health, safety and environment, in compliance with global and local regulations. Furthermore, periodical HSE internal audits and risk assessment are performed to assess compliance, identify remediation actions or improvement opportunities. The HSE department is actively engaged in monitoring laws and regulatory trends in a proactive manner, enhancing its readiness to react to possible changes.

The Group is subject to the risk of interruption to its production, development processes, supply chain and distribution network.

The Group is exposed to business interruption risk, which refers to the possibility of experiencing disruption in its operations, potentially causing a loss of revenues, increased expenses and reputational damage.
The business interruption could be caused by different factors, including natural disasters, fire, seismic events, landslides, power outages, raw material shortages and cyber-attacks.

While natural events can damage physical infrastructure, interrupt supply chains, and force businesses to temporarily and partially shut down, technological issues could disrupt business operations, compromise sensitive information and lead to downtime for the necessary system recovery.

Furthermore, if critical suppliers or subcontractors are exposed to significant disruptions in their operations, there is the risk they could be unable to provide the materials or components the Group needs to keep its operations running and satisfy customers' requests.

The Group's mitigation actions are mainly focussed on defining and implementing a Business Continuity Program (BCP) to map, measure, monitor and verify business risks linked to continuity in operational activities. The Group is working with the support of a consultancy company, specialised in this specific subject. A Business Continuity Manager has been formally nominated and the Crisis Management Team Lessons Learnt actively contributes to continuous improvement across all plants. The first objective of the BCP is to contain the impact through the creation of a set of emergency and recovery procedures in order to ensure greater standardisation across plants, manage any emergencies, safeguard people's health and well-being, minimising the actual or potential consequences of any incident.

Furthermore, the Group is committed to implementing a set of initiatives to prevent business disruption at corporate and plant level, focusing on: switching production sites or products with similar technical characteristics, internal firewall installation to reduce malware diffusion and network redundancy, dual sourcing for critical suppliers and implementing power generators to ensure electricity back-up.

The Group faces the risk related to the inability to attract and retain qualified personnel.

The Group's success depends on the efforts and abilities of its management team and key employees to achieve the Group's goals and keep operations running. The Group believes that the growth and success of its business depends on its ability to attract highly skilled and qualified employees with specialist expertise in the industry.

The profile of technicians is also changing with the transition from fossil energy to renewable energy, together with the impact of digitalisation, creating a new competence and expertise risk to be mitigated.

The Group's mitigation actions are mainly focussed on strengthening competencies through dedicated training, introducing specific recruiting programs, and developing employer branding initiatives.

Moreover, training to educate the external service technicians' network on renewable products/energy has been conducted, and the Group has implemented an e-learning platform.

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

The Group, in managing the business and the related operations, including manufacturing, relies on computer and data processing systems and their associated infrastructure.

As for many other multinational companies, IT system architecture is exposed to cyber-security risk. Current cyber attackers are enhancing their effectiveness in executing cyber-attacks by adopting more organised and structured approaches. A common and damaging form of cyber-attack is through ransomware practices, consisting of locking and encrypting data, files, or systems and making them inaccessible or unusable until the attacker receives a ransom payment. Furthermore, external cyber-attackers could target third parties connected to our system, potentially causing impacts on and breaches of our IT infrastructure.

Failure to secure our IT systems architecture exposes us to the risk of unauthorised access, disruption of the Group's operations, and potential dissemination of sensitive information and data. The latter scenario could result in potential consequences regarding compliance with data protection and privacy laws and regulations.

The Group's mitigation efforts are focussed on addressing IT and cybersecurity risks and safeguarding against external threats through a proactive and reactive approach. Measures are implemented to monitor and analyse machine behaviours to actively avoid malicious actions and investigate suspicious ones. Furthermore, existing firewalls are continuously improved, monitored, and analysed. In addition, countermeasures capable of protecting against non-compliant behaviour with the Group's cybersecurity approach when our workforce is connected outside the Group's premises are in place. Periodical training programs are provided to employees, phishing attack simulations are performed and related behaviour analyses are executed. Additionally, the Group enforces communication security measures, implements procedures to prevent data loss, and takes other actions, including monitoring externally available information about the company.

Within the wider Business Continuity Plan, a standardised Disaster Recovery approach has been implemented in order to recover data and infrastructure with predefined procedures and timing. The Disaster Recovery Plan is periodically tested.

c) Compliance Risks

A few risks have the potential to extend their impact beyond operational aspects, influencing legal and compliance perspectives as well. Specifically, environmental, cybersecurity and health and safety risks have been described as operational risks, even though they could generate legal and compliance repercussions.

The Group faces the risk of non-compliance with strict and evolving Laws, Regulations, Industry Standards and Codes.

The Group, operating on a global scale across multiple countries, is subject to stringent and dynamic laws, regulations, and policies. Substantial alterations or advancements in regulatory requirements have the potential to significantly influence business operations, leading to adverse effects on both revenues and operating results.
Moreover, the Group may encounter challenges in accurately predicting the costs associated with compliance with legal requirements. Particularly, the Group may incur substantial expenditure in R&D investments for modifications to existing products or the development of new ones, as a response to new laws and regulations.
Failure to comply with laws and regulations could result in penalties, fines, potential legal liabilities and reputational damage.
The Group's mitigation efforts primarily consist of formulating strategies to ensure compliance with evolving regulations, to enhance testing procedures to ensure products legal compliance and explore the development of innovative solutions. The company actively monitors the laws and regulatory trends in a proactive manner to boost its readiness to react to changes. In addition, the Internal Communication Department enhances awareness of the measures adopted by the company to comply with legislative changes. Furthermore, training on compliance topics, as well as on legal and regulatory requirements, is provided to employees in order to align behaviour with current legislation and internal procedures.

The Group is exposed to tax risk and changes in fiscal regulations.

The Group is subject to many different forms of taxation including, but not limited to, corporation tax, withholding tax, value added tax, property tax, social security and other payroll related taxes, and has obligations to file tax returns and pay tax across several different jurisdictions.
Significant alterations to tax regulations, in any of the markets where the Group operates, may lead to an increase in tax rates and/or unforeseen tax exposure, introducing uncertainty that could reduce the net profitability of the Group.
In addition, in other instances there could be the risk of incorrect interpretations that could lead to fines, sanctions, interests, penalties and liabilities.
Although the Group considers itself in compliance with all relevant obligations, there is a risk that it may unintentionally fail to comply with applicable laws and regulations. The Group is subject to regular reviews and audits by tax authorities in jurisdictions around the world. Any adverse outcome could have a negative impact on the Company's effective tax rate, tax payments, financial position or results of operations. In addition, there are many transactions and calculations, including intragroup transactions, where the final tax determination is uncertain.
The Group's primary mitigation efforts are focussed on ensuring compliance with applicable laws and regulations in every jurisdiction and monitoring tax law trends in a proactive manner in order to boost its readiness to react to changes.
The Board has approved a Group tax strategy, expressing its commitment to comply with the tax laws of any jurisdiction and to maintain a fair attitude as a taxpayer. In addition, the Group maintains a transparent attitude towards the Tax Authorities in case of audits or reviews. The Group’s Tax Department is in charge of implementing effective tools for tax risk management. Furthermore, the Group adopts transfer pricing management, properly allocating the profitability within the Group companies. All potential risks and opportunities are continuously monitored and carefully dealt with by tax specialists from the main relevant areas.

d) Financial risks

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

The Group operates in numerous markets worldwide, holding assets, earning revenues, incurring liabilities, and paying expenses in various currencies besides the euro. The Group’s international operations face the risk of significant fluctuations in exchange rates that could have a negative impact on the Group’s activities and operating results.

Furthermore, several of the Group's subsidiaries report their results in currencies other than the euro, requiring the conversion into euro when preparing the consolidated financial statements. Any increase (or decrease) in the value of the euro against any foreign currency, serving as the functional currency for any of the Group's operating subsidiaries, may negatively influence the Group's financials.
The Group's response actions to mitigate the risk are mainly focussed on monitoring foreign exchange exposures and strengthening hedges. Whenever possible, the company tries to create natural hedges, matching the currency profile of income and expenses and of assets and liabilities.

The Group faces credit risk concerning its outstanding trade receivables.

The Group may experience low trade receivables turnover and payment delays by certain customers. Payment terms, in particular due dates for payments by the Group's customers, may vary depending on the type of transaction and business division. The Group records revenues and the corresponding trade receivables when products are delivered to customers, and, with respect to certain products, when customer acceptance occurs following delivery. Payments received prior to product delivery, or customer acceptance, are usually recorded as unearned revenue.
The extended periods of time the Group's trade receivables remain outstanding may negatively affect the Group's cash flow and liquidity, consequently influencing the Group's business and results of operations.
The Group's mitigation actions are mainly focused on reducing the Group's exposure by keeping track of actual cash flows on a short and long-term basis, including regular reviews of liquidity. Furthermore, the dedicated credit department supports the business by assessing customers' credit risk profiles and recommending appropriate levels of exposure.

In carrying out its business, the Group is also exposed to liquidity and market risks for commodity prices and interest rates.

In carrying out its business, the Group is exposed to financial risks associated with its operations, liquidity risk and fluctuations in interest rates. The Group manages all risks of this nature through skilled functions and continuous supervision, regularly mapping and reporting such risks and working with dedicated committees to define appropriate mitigation actions.
The Group's response actions that have a risk mitigation effect are mainly focussed on constantly monitoring the main financial risks, in particular managing the level of liquidity to meet the needs for financial obligations and investments.
The Group pays attention to calibrating the debts according to its mid to long-term sustainability. Liquidity is monitored by the Group's Treasury department, by the audit committee and by the Board.

5.1.4 Code of Ethics

The Group has adopted a Code of Ethics, representing the values promoted by the Group, setting out obligations and ethical responsibilities. Adherence to the Code of Ethics is compulsory for Directors, employees of the Company and its subsidiaries, as well as other individuals or third parties that act in the name and on behalf of the Company or its subsidiaries.
The Group promotes the adoption of the Code of Ethics as a best practice standard of business conduct by partners, suppliers, consultants, agents, dealers, and others with whom it has a long-term relationship. In fact, the Group's contracts around the world include specific clauses relating to the recognition and upholding of the principles underlying the Code of Ethics, as well as compliance with local regulations, particularly those related to corruption, money laundering, terrorism, and other crimes giving rise to liability for legal persons.
The Group monitors the effectiveness of, and compliance with, the Code of Ethics in accordance with a whistleblowing management procedure. The Group Internal Audit, in the execution of its activities, takes into consideration the Code of Ethics' values and obligations as part of the audit program.

5.2 Non-Financial Disclosure

Introduction

This section is drafted with reference to the **GRI Standards 2021**, the main reference for non-financial reporting at national and international level. The information contained in this section refers to the **financial year 2023** (from 1 January to 31 December) and further information about the Group's 2030 ESG Strategy is described in the Road to 100 Report, released on www.aristongroup.com. The reporting scope of the Non-Financial Declaration coincides with the Consolidated Report Financial Statements, and includes the **economic**, **environmental** and **social matters relevant to Ariston Group at a global level**.

In 2023 the Group completed the **acquisition of 100% of the share capital of CENTROTEC Climate Systems GmbH** from CENTROTEC SE. The acquisition has entailed a complex process of integration of the various brands, including Wolf and Brink, into the Company's operations, including on sustainability-related aspects and relative disclosures. The presence of different entities and the amount of data to be reported on makes it difficult to finalise the process in a 12-month timeframe, which is the scope of this Report. As a result, after an assessment of available information and data collection practices, where possible, the Company's information and performance indicators are presented in a dual perspective, offering views both with ("*incl. WB*") and without the Wolf-Brink acquisitions ("*excl. WB*"), in order to facilitate comparability with 2022 and 2021 data.

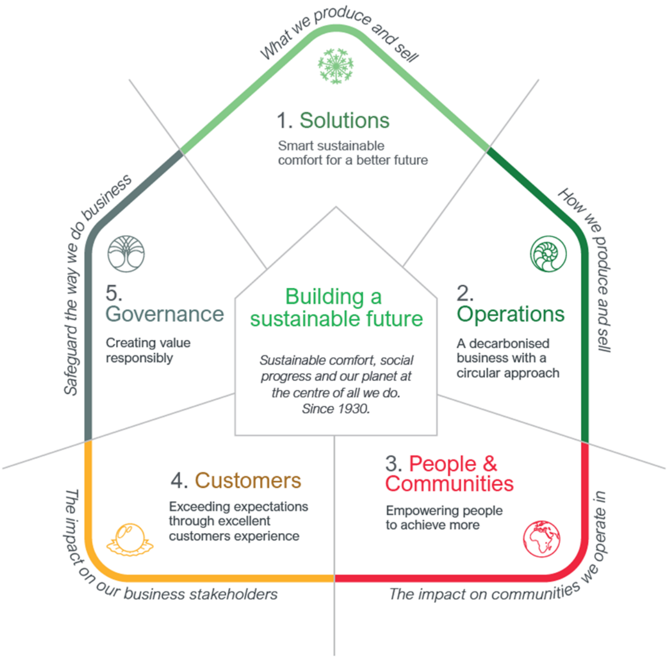
At the heart of Ariston Group's reporting process lies the concept of **materiality**, where the threshold is set to determine the significance of reporting specific topics, reflecting the organisation's economic, environmental, or social impacts that influence stakeholder decisions. This vision was developed based on an engagement process operating on 3 levels:

1. First, the Group's key stakeholders (both internal and external) were engaged to help renew the Company's materiality analysis, a process already underway since 2017. From the identification of a shortlist of potentially relevant topics, the **9 material topics** most relevant to the business and its stakeholders were defined, carefully assessed based on their potential economic, environmental and social impacts.

2. Next, starting from these material topics, a forward-looking and strategic ESG plan was defined. The process comprised in-depth market benchmarking and analysis of ESG pressures, challenges and opportunities related to each material topic.

3. Once these were outlined, the Group's top management, as part of the ESG Council, defined the **5 engagement areas** on which to focus its business strategy. Finally, managers were engaged to help define – through SWOT analyses and a path of progressive convergence – clear objectives and supporting initiatives for each of the nine material topics.

Engagement areas	Material topics
1. Solutions *What we produce and sell*	• Sustainable energy solutions • Smart homes for sustainable living
2. Operations *How we produce and sell*	• Resources productivity and circularity • Responsible supply chain
3. People & Communities *The impact on communities we operate in*	• Excellent employee experience and engagement • Education for the future
4. Customers *The impact on our business stakeholders*	• Beyond customer proximity • Trustworthy quality excellence
5. Governance *Safeguard the way we do business*	• Long-sighted sustainable governance



The **5 engagement areas** that define the key pillars on which the Ariston Group has set its ESG strategical direction include Solutions, Operations, Customers, People & Communities and finally, Governance.

In parallel to these efforts, throughout 2023, the Company has taken proactive measures to pre-emptively address future compliance – starting in FY2024 – with the Corporate Sustainability Reporting Directive (CSRD). This Directive mandates that companies falling under its scope carry out a "double materiality" analysis, as defined by the new European Sustainability Reporting Standards (ESRS), developed by the European Financial Reporting Advisory Group (EFRAG). This comprehensive analysis involves the definition of both the generated impacts and the financial risks and opportunities experienced by the Company, based on a set of pre-defined themes outlined by the ESRS.

The collection of information and data reported took place in collaboration with all of the Ariston Group's functions on the basis of their competence, activating an information flow coordinated and supervised by the Group ESG Director and subjected to the ESG committee's approval.

For further information, please contact the ESG Team (ESG@ariston.com) or visit Ariston Group.

Where the relevant aspects of the Dutch decree are discussed

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

Dutch Decree aspects	Internal references
Business model	About Ariston Group – Our Group
Policies and due diligence	Environment – Supply chain due diligence Social – Human rights due diligence Environment – Principal risks and their management Social – Principal risks and their management Governance – Principal risks and their management
Principal risks and their management	Enterprise risk management (ERM) Integrating ESG risks into the ERM process; Environment – Principal risks and their management Social – Principal risks and their management Governance – Principal risks and their management
Thematic aspects	
Environmental matters	Environment
Social matters	Social – Communities: education for the future Social – Customers: trustworthy quality excellence
Employee matters	Social – People: excellent employee experience and engagement
Respect for human rights	Social – Human rights
Fight against bribery and corruption	Governance
Supply Chain	Environment – Supply chain due diligence

About Ariston Group

Our Group

Our vision: *SUSTAINABLE COMFORT FOR EVERYONE*
Our purpose is to provide everyone, in every corner of the world, with high-quality thermal comfort solutions, while protecting the environment.

Our mission: *TO BE THE WORLD'S PREFERRED PARTNER IN DELIVERING ENERGY EFFICIENT AND RENEWABLE SOLUTIONS FOR THERMAL COMFORT*
To be able to understand consumer needs and to satisfy them worldwide, with leading brands and an extensive offer of products and services in the thermal comfort, burners and components sectors.

Our Group: *A GLOBAL COMPANY WITH STRONG LOCAL ROOTS*
40 countries, 28 production sites, 29 centres of competence and R&D in 5 continents. All over the world, the Ariston Group is synonymous with comfort, energy efficiency and respect for the environment, thanks to its renewable and high efficiency products, its plants in compliance with the most advanced production standards and excellent pre- and after-sales customer support services. The Group now has a leadership position in the global thermal comfort market for residential and commercial spaces.

Ariston Group's Sustainability Strategy: Road to 100

A year after

As the Group celebrates the 1st anniversary of the "Road to 100" plan, the document represents the Ariston Group's vision and its efforts to lead the Company towards its 2030 sustainable targets through a clear roadmap. The Company is aware that sustainability translates into a long-term vision and objectives, which can be achieved only through a solid path of short, medium and long-term actions and initiatives.

While the Group has already noticed progress a year after the Plan was first issued, it expects much more to materialise over the next few years. Additionally, the Company is constantly improving its business and its goals, in line with the rapidly evolving sustainability landscape. In fact, the updated 2023 document now includes new goals focussed on circularity, together with objectives that replace the ones that have already been achieved.

In the context of the recent integrations, the main focus and effort is to ensure that the targets defined in the strategic plan seamlessly apply across all entities within the Ariston Group's scope. While one year might not prove sufficient to provide a comprehensive picture, especially considering the scale of the recent integrations, the Groups is already witnessing positive trends and improvements in specific areas. In the summary tables depicting the targets and supporting initiatives, the progress made in 2023 is outlined, both on the pre-acquisition perimeter, named "*excl. Wolf-Brink*" and the current one, named "*incl. Wolf-Brink*" where available. In the "*Status*" column, the deviation from the baseline is indicated.

The European Taxonomy

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

The Regulation sets out the criteria for determining whether an economic activity can be considered environmentally sustainable and establishes six environmental objectives: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, the protection and restoration of biodiversity and ecosystems.

The Delegated Acts identify the economic activities that are eligible for an environmental objective and the criteria to assess whether an economic activity makes a substantial contribution and does not significantly harm any of other environmental objectives. Finally, the economic activities, to be considered as environmentally sustainable, need to be carried out in compliance with the Minimum Safeguards, namely OECD Guidelines, UN Guiding Principles on Business and Human Rights, International Bill of Human Rights. The Commission has adopted the following delegated acts:

- the Climate Delegated Act (2021/2139 EU, June 2021, 2023/2485 EU, June 2023) relating to the objectives of climate change mitigation and climate change adaptation (applicable since the first year of taxonomy reporting),
- the Environmental Delegated Act (2023/2486 EU, June 2023), relating to the other four environmental objectives, which came into force for Non-Financial Disclosures published after the 1st of January 2024.

In compliance with the regulatory obligations of the Disclosure Delegated Act (2021/2178 EU), for this third year of application, non-financial companies are required to check whether their economic activities could be considered eligible and aligned to the first two environmental objective (Climate Change Mitigation and Climate Change Adaptation) and eligible to the other four (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems). From the next reporting year, non-financial companies will be required to check whether their economic activities could be considered aligned to every of the six environmental objectives and the taxonomy disclosure will be complete.

The group's contribution to the environmental objectives

Ariston Group is a leader in the global thermal comfort market for domestic, commercial and industrial spaces. After CENTROTEC Climate Systems GmbH acquisition, the Group has further extended its leadership in the market. The acquired Group is a pioneer in the development of new-generation heat pumps with natural refrigerants (R290), it successfully operates in air-handling, offering high-efficiency systems for flow control and air conditioning in commercial applications; it features a prominent position in domestic heat-recovery ventilation – a requirement for nearly-Zero-Emission Buildings.

Ariston Group also offers specific services related to its solutions installation and maintenance.

The economic activities of the Group can be broken down into three main sectors:

- Burners
- Components
- Thermal comfort, which can be classified into water heating products (i.e. heat pumps, solar, electric storage & electric instant water heaters, gas storage & gas instant water heaters, cylinders), space heating products (i.e. boilers, heat pumps, hybrid systems, air conditioning, thermostats, direct services & parts), domestic heat-recovery ventilation, air handling and combined heat and power[1].

Only the activities related to Thermal comfort, including air handling and domestic heat recovery ventilation products were classified as "Taxonomy-eligible" or "eligible", whereas Burners and Components have been considered as "Taxonomy non-eligible", based on the fact that no perfect fit was identified with Annexes I and II of the Climate Delegated Act nor with Annexes I, II, III and IV of the Environmental Delegated Act.

To identify potential "Taxonomy-Eligible" activities, the Group has evaluated:

- the list of activities outlined in the Climate Delegated Act for the first two environmental objectives (Climate Change Mitigation and Climate Change Adaptation). Based on the Group's interpretation of all information made available to date by the regulator, the analysis concluded by finding that economic activities that provide climate adaptation solutions carried out by Ariston Group are exactly the same as those activities that contribute substantially to the achievement of the climate change mitigation objective, therefore they are all reported under the CCM activities;
- the list of activities outlined in the Environmental Delegated Act for the last four objectives (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems). The analysis led to the identification of the activities related to circular economy, the description of which includes specific economic activities carried out by the Group.

[1] The product category related to combined heat and power hasn't been considered for the 2023 KPIs computation because, due to the described M&A operation, the group's systems and management software are currently in the alignment process.

The eligible activities resulted from the analysis are reported below:

Objective	Activity's number	Activity	Description of the activity
CCM	3.5	Manufacture of energy efficiency equipment for buildings	Manufacture of: - Water heaters - Boilers - Heat pumps - Air conditioners - Solar thermal - Thermostats - Connectivity -Domestic heat-recovery ventilation - Air handling
	7.3	Installation, maintenance and repair of energy efficiency equipment	Individual renovation measures consisting in installation, maintenance or repair of boilers, water heaters, domestic hear recovery ventilation and air handling
	7.5	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	Installation, maintenance and repair of thermostats and connectivity for measuring, regulation and controlling energy performance of buildings
	7.6	Installation, maintenance and repair of renewable energy technologies	Installation, maintenance and repair of heat pumps and relevant "after-services" activities
CE	1.2	Manufacture of electrical and electronic equipment	Manufacture of: - Water heaters - Boilers, - Heat pumps - Air conditioners - Solar thermal - Thermostats - Connectivity -Domestic heat-recovery ventilation
	5.1	Repair, refurbishment and remanufacturing	Individual renovation measures consisting in maintenance or repair, refurbishment or remanufacture of: - Water heaters - Boilers - Heat pumps - Solar thermal - Domestic heat-recovery ventilation - Air handling
	5.2	Sale of spare parts	The economic activity consists of the sale of spare parts beyond legal obligations

The Group has decided not to go further in the analysis for the activity 7.5 (“Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings”), because data from the installation of thermostats cannot be disaggregated from the value of the rest of the products sold (already included in activity 7.3); furthermore, such values represent a residual part of the total aggregated amount for the activity.

The information related to the service are thus split among and generated from the following activities:

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

Considering the Waste from Electrical and Electronic Equipment (WEEE) Directive as a reference for interpreting the definition of "electrical and electronic equipment" dictated by Activity 1.2, all products of the Group that fall under the category "Thermal Comfort" seem to be relevant to the definition and seem, therefore, to be included in the eligibility calculations. Notwithstanding this, Ariston Group carried out a preliminary analysis of the Substantial Contribution Criteria (SCC) required by Activity 1.2 and found out that the requirements shows particular focus on specific features of other products falling in the same definition (i.e. white goods) which are not representative of the Group's product categories; moreover, they are extremely stringent[2] and misaligned in terms of timing[3] compared to those of the current law on the subject matter, to which the Group is compliant.

In terms of contribution to the climate mitigation objective, all eligible activities are classified as possible enablers for other activities to become low-carbon or to lead to greenhouse gas reductions according to Article 10(1) point (i) of Regulation (EU) 2020/852.

As per last year, to identify how and to what extent the activities of the Group are associated with economic activities qualified as "aligned" to Climate Change Mitigation, Ariston Group has analysed all the applicable Technical Screening Criteria (TSC). Below are represented the steps of the analysis undertaken:

Substantial Contribution Criteria

- Household appliances, space heating, domestic hot water systems, cooling and ventilation systems rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 of the European Parliament and of the Council and Delegated Acts adopted under that Regulation[4]. This first criterion applies to all Ariston Group's products identified as Taxonomy-eligible and included in the activity 3.5, namely water heaters, boilers, heat pumps, air conditioners, air handling and domestic heat recovery ventilation systems and solar thermal. This criterion is actually extended to the other Taxonomy-eligible activities identified with the codes 7.3 and 7.6 that are related to the service of installation and maintenance of individual components and systems.
- Heat pumps compliant with the following criteria in accordance with Directive (EU) 2018/2001: Only heat pumps for which the estimated average seasonal performance factor (SPF) > 1,15 * 1/η shall be taken into account. This second criterion applies only to heating heat pumps and to the activity of installation and related operations (activity 7.6)

DNSH Criteria

The Group has verified the compliance of its eligible activities to the DNSH requirements related the objective-CCM outlined in the Climate Delegated Act.

Adaptation to climate change: Ariston Group has performed an Assessment of Natural Hazard Exposure to identify top-priority sites deserving of deeper investigations regarding their exposure to natural hazards. The Group is currently working to expand the scope of the analysis and to include other applicable risks, if any, while considering various climate scenarios in short, mid and long term (e.g., scenarios periodically published by the Intergovernmental Panel on Climate Change (IPCC)). The analysis is using the results of the Assessment of Natural Hazard Exposure as its initial reference.

Sustainable use and protection of water and marine resources: Ariston Group is monitoring its environmental impacts through specific internal tools and processes, such as the HSE policy, that cover many different environmental aspects (e.g. energy consumption and air emissions, waste, noise, etc.) To ensure continuous improvement, the Group has designed its management system in accordance with ISO 14001 and to measure and assess environmental performance according to the WCM methodology. The Group's policy includes water use and protection management plan. This policy is shared with all stakeholders, and suppliers are required to sign a declaration of commitment. Ariston Group consider water as a shared resource by reducing its consumption:

- by improving the production process,
- by reusing water, as an example in the tank sealing quality control station, and~~;~~ moreover cooling processes have closed circuit
- by reducing the use of tap water by withdrawal it from well (83% of the water withdrawal is directly pumped from ground water that is not drinkable).

- The Group has developed a standard method for assessing water aspects, which is based on:
- The separation of industrial, civil, and rainwater management.
- Sensitivity concerning discharge into a receiving water body with ecological status (water quality)
- Compliance with legal requirements based on plant authorization categories
- Stakeholder involvement reflecting community concern
- Extension representing the area affected by the impact
- Reversibility of the impact itself.

According to this assessment, Ariston Group factories are considered as a low water-related impact company.

Transition to a circular economy: Ariston Group makes use of cutting-edge technologies to offer energy-efficient products, reduce packaging and provide renewable solutions, considering a priority to innovate for minimizing environmental impacts. The Company is currently working on implementing a circular approach which is based on a strategy that prioritizes recycling over disposal and encourages the reuse of various materials in the manufacturing processes. The initiative begins with the procurement of recycled and recyclable raw materials. For instance, the company sources recycled steel, more specifically it entails 29% recycled content which we aim to increase as we progress. Steel is the main primary input material for our products: it accounts for about 70% of the total weight of material used for manufacturing primary products. The commitment to sustainability extends to the production processes, which are designed to reduce and optimize consumption.

On this, for what concerns the waste management, a corporate goal for waste reduction and circularity is established annually. Waste reduction projects are prioritized based on the 5R methodology by:

- Refusing non necessary packaging and assessing environmental impact of any change through a pre-project risk assessment
- Reducing waste production by considering by products as secondary products; this approach is exemplified by magnesium oxide, which is not classified as waste but as a secondary product to be used as raw material. This involves also designing high-quality products to extend their lifespan and designing efficient packaging to reduce damaged products in the supply chain.
- Reusing packaging of components in collaboration with supplier, rework our own non-conforming product to reuse tank and other metal components saving of the production, selling wooden pallets for repair and reuse.
- Recycling metal, plastics, cartons, electrical components, etc.
- Revalorize by prioritizing incineration with energy recovery to disposal processes and continuously conducting technological monitoring to discover new treatment methods for non-recyclable components like polyurethane foam, ensuring the energy efficiency of our boilers.

Moreover, Ariston Group is actively researching alternative solutions to decrease the impact of its packaging, that are officially formalized in the released Sustainable Packaging Definition where the Group highlights the commitment to increase the share of recyclable packaging and recycled plastic, remove smaller packaging and minimize the use of plastic or avoid it where possible.

Besides, in France, Ariston Group has already dealt with regulations on materials traceability developing during 2022 a project to be compliant with the French law n° 2020- 105 of February 10, 2020, relating to the fight against waste and the promotion of a circular economy (Agec Law)[5], a great boost to the ecological transition that came into force for the Company from 1 January 2023. The law requires the publication of information on the environmental qualities and characteristics of products (used recycled material, recyclability, presence of rare earth, precious metals and dangerous substances). The availability of the data is enabling the company to identify circular opportunities and raise awareness in terms of resource consumption, with a potential to be further implemented into different areas of the business. While the initial analysis concentrated on France, the project enabled the Group to broaden its comprehension of the materials of products sold and distributed in other markets. Further deep dives on material traceability extends to other substances as well (e.g. substances of very high concern) as the Group is compliant with the REACH, ROHS and POP directives.

For further discussion on the topic, please refer to the chapter “The Group’s Environmental Commitment” of the Non-Financial Disclosure Report, part of the Group Annual Report.

Pollution prevention and control: As regard to harmful substances used in the processes, Ariston Group verified the presence of the listed substances of the Regulation mentioned and it is compliant with the REACH, ROHS and POPs directives. For further information, please refer to the chapter “The Group’s Environmental Commitment” of the Non-Financial Disclosure Report.

Protection and restoration of biodiversity and ecosystems: As regard with the objective and the main actions pursued aimed at preserving biodiversity and ecosystems, Ariston Group is ISO 14001 certified and, while in EU is compliant with EIA (Environmental Impact Assessment, Directive 2011/92/EU, outside EU the Group has developed a standard to assess environmental aspects and impacts, including impact on biodiversity. The assessment has been performed on the following risks impacting biodiversity: air emission (VOC, NOx, dust and non-listed substances), water discharge, releases to soil, noise, light and electromagnetic emissions. According to this assessment and the geographic location of its facilities out of any protected area according to IUCN Protected Area Management categories, Ariston Group is considered as not impacting biodiversity.

Minimum Safeguards

Ariston Group is committed to respect the fundamental human rights of all its stakeholders across the value chain: in its operations, across the supply chain and in the communities where the Company operates in. Ariston Group’s commitment refers to the internationally recognized human rights defined in the International Bill of Human Rights, the ILO’s Declaration on the Fundamental Principles and Rights at Work and the Convention on the Rights of the Child. Ariston Group’s commitment to Human Rights has been consolidated in a due diligence process, conducted in 2022 - aligned with the UN Guiding Principles on Business and human rights - aimed at identifying and assessing potential risks and impacts related to human rights. This process allowed Ariston Group to identify its salient human rights the principles guiding the Group's operations are fully aligned with those found in the OECD Guidelines for Multinational Enterprises. For further information, please refer to the Non-Financial Disclosure Report, part of the Group Annual Report.

KPIs Templates

This section contains the templates for the three KPIs (Turnover, Capex and Opex) from Delegated Act Art.8.

The Group carried out analysis on the eligibility of all its economic activities for the 6 Objectives. However, because of the considerations made in the paragraph “The Group’s contribution to the environmental objectives” the following templates provide an overview of the quantitative analyses performed with respect to the eligibility and alignment of the Group’s economic activities to the “Climate Change Mitigation” objective.

The values provided reflect a conservative approach to the interpretation of the new Regulation and were elaborated also taking into consideration the available information (e.g. Q&A) and requirements set out by the regulator. Therefore, the Group does not exclude the possibility of revising the methodology applied so far based on any new Q&A or specific guidelines for the next reporting year.

Turnover

Financial year N	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	Code(s) (2)	Turnover (3)	Proportion of turnover, year N (4)	Climate change mitigation (5)	Climate changeadaptation (6)	Water and marine resources(7)	Circular economy(8)	Pollution (9)	Biodiversity andecosystems (10)	Climate change mitigation (11)	Climate changeadaptation (12)	Water and marine resources(13)	Circular economy(14)	Pollution (15)	Biodiversity andecosystems (16)	Minimum safeguards (17)	Proportion of Taxonomy- aligned (A.1.) or - eligible (A.2.) turnover, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		EUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
Manufacturing of energy efficiency equipment for buildings	CCM 3.5	1,928,147,012.54	62.36%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	58.33%	E	
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	181,75,024.66	5.88%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6.53%	E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	34,998,090.48	1.13%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.88%	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**2,144,896,128.68**	**69.37%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	Y	Y	Y	Y	Y	Y	Y	**65.74%**		
Of which enabling		2,144,896,128.68	**100.00%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	Y	Y	Y	Y	Y	Y	Y	**100.00%**	**E**	
Of which transitional		0	**0.00%**							Y	Y	Y	Y	Y	Y	Y	**0.00%**		**T**
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of electrical and electronic equipment	CE 1.2	595,331,028.89	19.26%	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
Repair, refurbishment and remanufacturing	CE 5.1	74,619,971.32	2.41%	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
Sale of spare parts	CE 5.2	47,500,156.85	1.54%	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		717,451,157.06[2]	23.21%	0%	0%	0%	100%	0%	0%								0%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		2,862,347,284.74	92.58%	0%	0%	0%	100%	0%	0%								**65.74%**		

B. TAXONOMY NON-ELIGIBLE ACTIVITIES

Turnover of Taxonomy- non-eligible activities		229,427,612.26	7.42%
TOTAL		3,091,774,897.00	**100.00%**

	Proportion of Turnover/Total turnover	
	Taxonomy-aligned per objective	**Taxonomy-eligible per objective**
CCM	69.37%	69.37-[8]
CCA	-	-
WTR	-	-
CE	Not disclosed	91.82%
PPC	-	-
BIO	-	-

[2] The assessment of CE alignment hasn't been yet conducted according to the requirements of EU Taxonomy delegated acts

Capex

Financial year N	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	Code(s) (2)	CapEx (3)	Proportion of CapEx, year N (4)	Climate change mitigation (5)	Climate changeadaptation (6)	Water and marine resources(7)	Circular economy(8)	Pollution (9)	Biodiversity andecosystems (10)	Climate change mitigation (11)	Climate changeadaptation (12)	Water and marine resources(13)	Circular economy(14)	Pollution (15)	Biodiversity andecosystems (16)	Minimum safeguards (17)	Proportion of Taxonomy- aligned (A.1.) or eligible (A.2.) CapEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		EUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
Manufacturing of energy efficiency equipment for buildings	CCM 3.5	1,206,480,429.87[3]	72.36%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	57.33%	E	
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	831,921.91	0.16%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.10%	E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	204,784.74	0.04%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.02%	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**1,207,517,136.51**	**72.42%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	Y	Y	Y	Y	Y	Y	Y	**57.44%**		
Of which enabling		1,207,517,136.51	**100.00%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	Y	Y	Y	Y	Y	Y	Y	**100.00%**	**E**	
Of which transitional		0	**0.00%**							Y	Y	Y	Y	Y	Y	Y	**0.00%**		**T**
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of electrical and electronic equipment	CE 1.2	297,184,061.83	17.82%	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
Repair, refurbishment and remanufacturing	CE 5.1	327,708.40	0.02%	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
Sale of spare parts	CE 5.2	0.00	0.00%	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		297,511,770.23[4]	17.84%	0%	0%	0%	100%	0%	0%								-		
A. CapEx of Taxonomy- eligible activities (A.1+A.2)		1,483,872,447.63	88.99%	0%	0%	0%	100%	0%	0%								**57.44%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy- non- eligible activities		183,527,552	11.01%																
TOTAL		1,667,400,000.00	**100.00%**																

	Proportion of CapEx/Total CapEx	
	Taxonomy-aligned per objective	**Taxonomy-eligible per objective**
CCM	72.42%	72.42%[5]
CCA	-	-
WTR	-	-
CE	Not disclosed	77.28%[6]
PPC	-	-
BIO	-	-

[3] The numerator includes a Capex share of intagibles and tangibles assets related to Centrotec acquisition.
[4] The assessment of CE alignment hasn't been yet conducted according to the requirements of EU Taxonomy delegated acts
[5] The eligibility matches with the alignment
[6] The numerator includes a Capex share of intagibles and tangibles assets related to Centrotec acquisition.

Opex

Financial year N	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	Code(s) (2)	OpEx(3)	Proportion of OpEx, year N (4)	Climate change mitigation (5)	Climate changeadaptation (6)	Water and marine resources(7)	Circular economy(8)	Pollution (9)	Biodiversity andecosystems (10)	Climate change mitigation (11)	Climate changeadaptation (12)	Water and marine resources (13)	Circular economy(14)	Pollution (15)	Biodiversity andecosystems (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) OpEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		EUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
Manufacturing of energy efficiency equipment for buildings	CCM 3.5	47,183,250.36	21.34%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	18.24%	E	
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	58,774,116.37	26.58%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	29.55%	E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	14,155,905.03	6.40%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6.11%	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**120,113,271.76**	**54.33%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	Y	Y	Y	Y	Y	Y	Y	**53.90%**		
Of which enabling		120,113,271.76	**100.00%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	Y	Y	Y	Y	Y	Y	Y	**100.00%**	**E**	
Of which transitional		0	**0.00%**							Y	Y	Y	Y	Y	Y	Y	**0.00%**		**T**
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of electrical and electronic equipment	CE 1.2	11,537,059.55	5.22%	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
Repair, refurbishment and remanufacturing	CE 5.1	32,240,069.48	14.58%	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
Sale of spare parts	CE 5.2	0.00	0.00%	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		43,777,129.02	19.80%	0%	0%	0%	100%	0%	0%								-		
B. OpEx of Taxonomy- eligible activities (A.1+A.2)		151,355,139.85	68.46%	0%	0%	0%	100%	0%	0%								**53.90%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non- eligible activities		69,730,016.15	31.54%																
TOTAL		221,085,156.00	**100.00%**																

	Proportion of OpEx/Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	54.33%	54.33[8]
CCA	-	-
WTR	-	-
CE	Not disclosed	72.08%
PPC	-	-
BIO	-	-

[7] The assessment of CE alignment hasn't been yet conducted according to the requirements of EU Taxonomy delegated acts
[8] The eligibility matches with the alignment

Calculation methodology 2023

For 2023, Ariston Group performed again the analysis to determine the percentage of eligibility and alignment of the climate related economic activities. The values provided for Turnover, CapEx and OpEx reflect a conservative approach to the interpretation of the new Regulation and were elaborated also taking into consideration the available information and requirements set out for the two objectives previously mentioned.

With the introduction of the Environmental Delegated Act, Ariston Group used the updated templates in accordance with the Regulation. Firstly, the first section (A1) shows the alignment to the CCM in continuity with previous years, which is explained later on in this paragraph. As for the second section (A2) in all three tables (Turnover, Capex, Opex), eligibility was calculated avoiding double counting, disclosing the share which is not aligned to the CCM objective but eligible to the CE. Please refer to the summary tables below each KPI template for a total view on eligibility.

Products – alignment methodology

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

KPI for Turnover: The numerator was determined starting from an analysis of the main product families to identify Taxonomy-aligned products according to the Technical Screening Criteria (TSC): renewable energy technologies have been fully included in the Turnover calculation, while for water heating and space heating solutions, only the two highest classes of energy efficiency have been taken into consideration.

As per the denominator of the KPI, 2023 consolidated net revenue was used (see Note 1.1 - Revenue and Income)

KPI for CapEX: The numerator includes the total amount of Capex associated with Taxonomy-aligned products, such as research and development activities aimed at reducing costs and improving product quality, all the laboratories, all the assets inside the research labs and all the plants and properties that improved the manufacturing process of such products.

The denominator includes additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. (see sub-paragraph 4.9.7 Capital Expenditures)

The denominator also covers additions to tangible and intangible assets resulting from business combinations.

KPI for OpEX. The numerator includes the total amount of operating expenditures, such as non-capitalized R&D costs and maintenance and repair expenditures. As in the methodology used for calculating Capex, each type of costs has been linked to the corresponding product family classified as Taxonomy-aligned.

The denominator contains direct non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

Services - alignment methodology

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

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

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

KPI for Turnover: To calculate the turnover originated by the services carried out by Ariston Group, only the services conducted by the companies or brands that offer direct after-sales services have been taken into account. The numerator of the turnover is calculated from the service of installation, maintenance and repair on products previously identified as Taxonomy-aligned.

In the calculation of Turnover, also Spare Parts are included.

As denominator of the KPI, 2023 consolidated net revenue was used.

KPI for CapEX: The numerator covers the total amount of CapEx related to the services of installation, maintenance and repair of products previously identified as Taxonomy-aligned. In this calculation, the CapEx from the installation of the Spare Parts has not been considered as it falls within the scope of the CapEx of the finished products.

The denominator contains additions to tangible and intangible assets during the financial year considered before depreciation, amortization and any restatements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes.

The denominator also includes increases in tangible and intangible assets resulting from business combinations.

KPI for OpEX: The numerator calculation of OpEx includes car rental, fuel, non-capitalized R&D costs related to the services of installation, maintenance and repair of each product category previously identified as Taxonomy-aligned. In this calculation, the OpEx from the installation of the Spare Parts has not been considered as it falls within the scope of the OpEx of the finished products.

The denominator contains direct non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

The Group's approach to risk management

Enterprise risk management (ERM)

Please refer to section "5.1 Risk Management" of the Annual Report 2023.

Integrating ESG risks into the ERM process

The ERM model integrates Environmental, Social and Governance (ESG) risks, which are among the most relevant risks that the Group is facing. Adherence to evolving ESG regulations, increasing the level of requirements and market expectations, implies the engagement of a wide range of company functions in complex programs aimed to innovate products and develop new technologies, changing materials and packaging, reducing energy and resources consumption, as well as direct and indirect emissions. In addition, for some of those objectives, the involvement of third parties and suppliers is essential.

ENVIRONMENT

The "Environment" Chapter includes the "Solutions" and "Operations" areas of engagement of the Group's 2030 ESG plan (Road to 100). While "Solutions" relates to the Company's products and more specifically, the adoption of energy efficient solutions, "Operations" discusses the strategies employed to create a decarbonised business through the adoption of circular approaches across the value chain.

Principal risk and its management

RISK: inability to manage/reduce the Group's environmental impact and manage responsibly the natural resources throughout the value chain, taking into consideration the compliance with regulatory requirements

SOLUTIONS – Policies and mitigation actions	OPERATIONS – Policies and mitigation actions
Products and packaging - PEP ecopassport® for 10 products marketed in France - Life Cycle Assessments (LCA) on different solutions, such as heating heat pumps, condensing boilers and hybrid solutions - Product Life-cycle Management (PLM) - R&D focus on increase efficiency of heating heat pumps and heat pumps water heaters - Sustainable Packaging Definition	Plants - Group HSE Policy - Group HSE Management System - ISO 14001 certification - Decarbonisation strategy to 2030 to reduce Scope 1, 2 and 3 GHG emissions - World Class Methodology (WCM) - Increase in heating heat pumps' production capacity - Business Continuity Plan (BCP) - Printed Circuit Board (PCB) remanufacturing - RoHS certification - REACH certification Supply Chain - Suppliers request to comply with RoHS and REACH requirements - Supply Chain due diligence through Ecovadis - E-vendor portal ESG questionnaire for new suppliers - Reshoring Plans

Solutions: Sustainable energy solutions

The ambition to 2030

	Long-term target	Progress in 2023	Status
2030	100 million tons of CO_2 emissions avoided thanks to the renewable and high efficiency products we sell in the regions where we operate[9]	26,571,693.58 million tons of CO_2 avoided (2020 base year)	26 mln (vs 2020)
	Mid-term supporting initiatives	**Progress in 2023**	**Status**
2025	100% heating gas condensing technologies' revenues from hydrogen-ready (certified to be 20% H2 ready) solutions in Europe[10]	69% (excluding Wolf-Brink) 75% (Including Wolf-Brink)	+40% (vs 2022)
	> 60% revenues in Europe generated by renewable technologies vs. < 40% from fossil fuel products[11]	48% renewable technologies vs 52% fossil fuel products (excluding Wolf-Brink) 49% renewable technologies vs 51% fossil fuel products (including Wolf-Brink)	+2% renewable technologies-2% fossil fuel products (vs 2022)
	Launch of Demand Response-ready products in Europe and the USA	Completed	
	Launch of Home Energy Management-ready products and accessories in Europe and the USA	Completed	
	Launch of a representative Home Energy Management – ready product on electric storage water heaters, heat pump water heaters and heating heat pumps	New target	
	Launch of Demand Response-ready products in new markets other than France, Belgium and US	New target	
	Confirm effort to shift heat pump water heaters to lower GWP refrigerants	New target	

2023 milestones

Research and development efforts in the heating heat pump technologies

In terms of research and development efforts dedicated to **heating heat pumps**, Ariston Group has undertaken a comprehensive approach, fostering innovation, adaptation to market demands while also enabling climate change mitigation and sustainable transition. Most notably, **investments in laboratories across three continents** – Europe, America and China – were made with a triple objective. First and foremost, **testing capacity nearly doubled** in order to incorporate new gases and adhere to the evolving regulatory framework. Simultaneously, the investment aims to ensure **close proximity between the end market, testing facilities and production facilities**, emphasising the importance of adaptability and responsiveness.

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

Wolf's new R290 natural refrigerant CHA-16/20 air-to-water heat pump**:** Wolf counts to the main leading companies in developing **environmentally friendly heat pumps with R290**. The latest expansion to its silent and efficient CHA-Monoblock product family has been the new 16 kW heating capacity class (even at cold temperatures). As an optional cascade of up to five

[9] To estimate avoided emissions, the Group assumes that efficient product categories are going to gradually replace products with lower efficiency in the installed park, whose average efficiency has been internally assessed. Technological developments that lack visibility have not been considered. The emissions avoided have been calculated assuming an average expected lifetime of the products of 15 years and considering emissions across their entire lifecycle. The estimation of sales projections of the product categories in scope is based on the forecasts from the Group's Strategy Master Plan. Assumptions on average emission factors kgCO2/kWh are kept constant until 2030 and defined specifically for macro-region and energy type.
[10] Including the Balkans, Switzerland, the United Kingdom, Israel, Norway and Ukraine. Excluding Russia.
[11] The perimeter considered refers to revenues generated in Europe by Thermal Comfort division (Including the Balkans, Switzerland, the United Kingdom, Israel, Norway and Ukraine. Excluding Russia), for both domestic and commercial heating and for water heating products as specified in the Delegated Acts of the EU Taxonomy. Renewable technologies refer to heat pumps for space heating and cooling, and for water heating, solar water heaters. Fossil products include boilers and gas water heaters (both storage and instantaneous). A change in the model calculation has been implemented vs 2022 to include air-to-air heat pumps, previously considered as out of scope. Electric water heaters, accessories, cylinders and burners are excluded from the calculation. The KPI percentage is calculated as the weight of renewable technologies on the sum of renewable technologies and fossil products.

heat pumps it is also possible to achieve high capacities with 80 kW in heating mode. The new **WOLF CHA Monoblock** is equipped with **natural refrigerant R290**: with its low Global Warming Potential (GWP) of 3, it enhances the heat pump's overall efficiency. This choice, coupled with a large evaporator as well as a big single fan, ensures efficiency even at higher flow temperatures. The CHA-Monoblock is **compatible with conventional radiators**. The CHA-Monoblock product family meets the requirements of the German federal funding for efficient building program ("BEG[12]") as well as "BAFA".

The AEREOTOP SX, winner of the Red Dot Design Award: Recently launched, the AEROTOP SX earned the **Red Dot Design Award in 2023**. This recognition underscores the product as one of the market's most energy-efficient solution, boasting an A+++ energy efficiency class and a high degree of flexibility, integrating in domestic spaces with minimal noise impact. AEROTOP SX is **compatible with photovoltaic (PV) systems**. Building on this success, ELCO has introduced an expanded version of the AEROTOP SX in response to market demand. While the initial release offered a 7 and 10 kWh capacities, the 13 kWh variant launched at the end of 2023 could cater to a broader spectrum of consumers, strategically addressing diverse market segments and aligning with ELCO's commitment to provide tailored solutions. This expanded capacity facilitates the transition to renewable energy in older homes, enabling the replacement of fossil fuel boilers.

Elogos, a new thermally activated heat pump: In 2023, Ariston launched Elogos, a **new thermally activated heat pump** which **reduces consumption and emissions by 30% compared to a condensing boiler** and isable to maintain high energy efficiency in harsher climate conditions and in the most demanding existing buildings. Elogos not only achieves flow temperatures of 70°C even when ambient air temperature is as low as –22°C, but in these conditions it can deliver the **full nominal output power in absence of any integration** (electrical resistances or back-up boiler). This feature allows to address the **hard-to-abate buildings** (that represent 80% of European building stock) without affecting the electrical grids and allowing the **decarbonisation of heating in advance to the decarbonisation of the electrical grid**.

The ease of installation, the use of a sealed circuit technology with natural refrigerant (R717 with GWP=0 and ODP=0 resulting in no need for an F-gas license) **facilitate the product deployment by Installers and service technicians with gas boiler expertise**. In addition, this heat pump technology is compatible with various alternative fuel solutions such as natural gas, liquefied petroleum gas (LPG) and emerging green gases such as Bio-methane, Bio-LPG, ad Hydrogen blends up to 20% or 100%.

Water heating solutions to reduce the environmental impact

Nuos Plus R290: first propane platform designed for EU market: In **Europe**, Ariston introduced the NUOS Plus R290, a new range of **A+ wall-hung heat-pump water heaters**, representing a step ahead in environmental sustainability. The range features propane technology, i.e. 100% natural gas with lowest GWP Index. This new NUOS range offers to the market not only R290 but also a significant **reduction in noise level (from 50dB to 45dB), 100% wi-fi connectivity, i-Memory function for self-adaptation** to the users' behaviours and the **PV systems function**.

Hybrid heat pump water heater: In 2023, the Group launched the **first heat pump water heater range in the US market.** The range is tailored to meet US specific customer needs and regulatory requirements. It also includes four distinct capacities (40-50-65-80 Gal) and Demand Response (DR) embedded functionalities (including most sophisticated solutions to fulfil California Ja13 requirements). To support the production and ensure proximity to distribution of the new product line, Ariston established a **new manufacturing facility in Mexico**, further underlining its commitment to providing high quality water heating solutions to the market.

The integration of Demand Response-ready products: Renewable energy sources depend on **intermittent and sometimes unpredictable weather conditions**. **Energy storage solutions** play a critical role: functioning as batteries, they are capable of storing surplus energy during periods of surplus and releasing it during scarcity, balancing the fluctuating availability of renewable energy and ensuring a reliable energy supply for households.

In 2023, the Group the Group made significant strides in the field of **Demand Response (DR)**, a grid service that dynamically adjusts the energy consumption of multiple assets, responding to peaks in the energy supply and demand. This technology finds application in **electric storage water heaters (ESWH)**, through which the Group remotely coordinates thermal comfort devices at the aggregate asset level, which contributes to **avoiding power peaks on the national grid** and to **shifting energy demand when the latter is abundant and cheaper**.

[12] The Federal Subsidy for Efficient Buildings (BEG) operated by the German development bank is a tool derived from the Climate Action Program 2030, with the aim to promote building renovation across the country. The BEG combines existing programs to promote energy efficiency and renewable energies in the building sector and supports, among other things, the use of new heating systems, the optimisation of existing heating systems, measures on the building envelope and the use of optimised system technology.

A **new range of DR-ready products** was introduced across the EU and US markets. On the **European market**, and specifically in France, the Group unveiled its first electric storage water heater, the **Velis Dry Wi-Fi FE**, which is able to offer an electrical flexibility service. In the **US**, the Group developed DR-ready products, catering to the specific regulatory requirements of Washington and Oregon. Furthermore, in the broader US market, Ariston launched products for Heat Pump Water Heaters (HPWH), in line with the **Energy Star certification requirements**.

Ariston Group 's Home Energy Management portfolio: The **Home Energy Management (HEM) system** monitors, controls and optimises energy flows to minimise customers' energy costs, while aligning to their preferences. This technology is deployed in **electric storage water heaters (ESWH) and** enables the Group to remotely coordinate thermal comfort devices at the single asset level, **contributing** to reducing electricity bills by **shifting loads when there is production from PV**.

2023 saw the launch of Ariston **PowerFlex Solar**, part of the Powerflex ESWH product line, which utilises T-Flex 2.0 patented technology to communicate with the smart meter, contributing to **network stabilisation during power peaks**. By automatically adjusting its power based on the total energy consumption of household appliances, the Powerflex Solar mitigates electricity overloads, prevents blackouts, maximises energy savings and optimises heating times. Specifically, it **incorporates the auto-consumption of electricity produced from solar energy**, while addressing both energy efficiency and grid stability.

Low-emitting solutions to reduce products' environmental footprint

Burners' industrial applications operating with F30 fuel: As part of the new French energy policy aimed at reducing fossil fuel usage, in force from 1 July, 2022, **new boilers installed in the French market are required to operate with the F30 biofuel**, comprising 70% light oils and 30% FAME (Fatty Acid Methyl Ester). In response, the Group's Burner Division developed a **new series of F30 biofuels burners**, significantly reducing NO_x emissions and surpassing regulatory standards.

Ariston Group is working on low-emission solutions that increasingly incorporate biogas and renewable fuels in its product offering. The Company is engaged in **ongoing testing with alternative fuels**, including trials in France to **elevate the renewable fuel component to higher percentages**. In Germany, the UK and the Scandinavian region, **biofuel derived from hydrotreated vegetable oils (HVO)** is already used for burners, representing one of the solutions that will allow to reduce CO_2 levels. Efforts to spread awareness on this solution are underway in Ireland, a critical market for the Group's burners integrated into boilers, also working in collaboration with industry associations such as EHI (European Heating Industry).

The recovery of energy from Industrial waste gases: A joint venture in Belgium secured a pivotal project for an energy recovering plant involving the **installation of three 24 MW Duobloc Low NOx Burners on a 72 MW water tube boiler**, designed to burn a syngas, the industrial waste gas resulting from the production plant. Burners are tailored to efficiently combust the syngas supplied at a low pressure of 80 mbar while adhering to the stringent NO_x limit of 72 mg/Nm_3. The source of the syngas supplied to the burners - a mixture of carbon monoxide and hydrogen - originates as a by-product from the **production of carbon black**, a critical additive in lithium-ion batteries and fuel cells. Traditionally disposed of through thermal afterburning, this syngas will serve as the **primary energy source for the new plant**. The primary objective of this venture is to generate 29 MW of electricity to power a production site in Belgium, as well as to provide energy to several surrounding households.

Hydrogen-compatible demoboilers: Ariston is developing a boiler capable of **running 100% on hydrogen**. This project represents a technological advancement as currently there are no cities running on a 100% hydrogen network, making this project more about **pushing technological boundaries** than an immediate commercial release. The key component is the "demoboiler," designed to undergo **rigorous certification processes** to allow their installation **in pilot projects**.

Moreover, Ariston collaborates with the **Polytechnic University of Milan (PoliMI)**. In December 2023, Ariston and PoliMI formalised a **funding proposal**, backed by the Italian Ministry of Ecological Transition (MITE), to explore and develop **hydrogen-based technologies**, working towards the elimination of gas pumps and boilers. The collaboration extends beyond immediate projects, with ongoing discussions about the prospect of establishing a **global renewable laboratory**.

Solutions: Smart homes for sustainable living

The ambition to 2030

	Long-term target	Progress in 2023	Status
2030	Over 5 million connectable products sold	1,275,000 (staring from 2015)	WIP
	Mid-term supporting initiatives	**Progress in 2023**	**Status**
2025	> 2 mln of connectable products sold	1,275,000 (staring from 2015)	WIP

2023 milestones

One Ariston NET app: Ariston NET is the smart app designed to manage customers' thermal comfort solutions, by providing a user-friendly interface for easy control, consumptions optimization and quick assistance. In 2023, the Group consolidated the functionalities of two separate applications, one dedicated to water heating and the other to heating products, into a unified app. The integration into a single app has the goal of simplifying the users' experience, allowing them to efficiently access and leverage these services. This integration will also ensure that the app is ready to incorporate future functionalities, including Demand Response and Home Energy Management.

Once products are paired with smartphones, Ariston Net provides a range of features to control products including:

- Save Energy and sustainable living: Providing users the ability to monitor energy usage and adapt behaviours. Every month, users receive a personalised report detailing their energy consumption and CO_2 saved. This information makes it possible to optimise energy usage, resulting in savings of up to 25%.
- Easy Control: The app enables end-users to remotely control devices, by setting schedules, changing operation modes, adjusting heating and hot water temperature. Moreover, leveraging AI technologies, the Smart Scheduling function observes user habits, by creating personalised weekly schedules. Incorporating geo-fencing, the system adjusts temperature based on users' location and the Optimum Start feature was added to recognise a home's thermal characteristics to preheat it accordingly, while optimising energy consumption.
- Prompt assistance: In case of system failures, homeowners promptly receive real-time notifications indicating the error number and the corresponding description, to facilitate remote technical assistance. Furthermore, the AI-enable Active Care feature anticipates pressure drops and alerts users, preventing potential blockages and ensuring uninterrupted comfort.

Tailored Energy Reports: Ariston Group is committed to expanding its customer base by fostering a sense of environmental responsibility. As part of this purpose, the Group introduced its monthly Energy Report 2.0 initiative, which marks the evolution of the energy report launched in 2018. It now encompasses a broader scope: aside from including additional brands and markets, it quantifies CO2 savings and correlates them with the equivalent number of planted trees. Furthermore, it leverages AI technologies to analyse trends in monthly energy consumption, as well as individual behaviors and weather conditions impacting such trends. The transition from generic advice to tailored and seasonally adaptive recommendations is a key aspect of this initiative.

Ariston Net Pro: the Ariston NET PRO app empowers professionals to deliver top-tier service to customers, ensuring effective and timely support. The app goes beyond conventional solutions by fostering operational efficiency through the remote monitoring of installed systems. Leveraging AI technologies, the platform predicts potential faults, allowing Service Centres to proactively optimise their workload, thereby providing an added layer of reassurance to customers.

Moreover, the platform extends beyond mere error management, as it can be leveraged by professionals to become the end-user energy consultant. In fact, it enables remote parameter optimisation, and it identifies critical installation to improve products efficiency, all avoiding onsite visits. By offering these advanced functionalities, the platform empowers professionals to continuously improve the service they provide and enhance energy efficiency without compromising on comfort, ultimately leading to high levels of customer satisfaction.

Operations: Resource Productivity and Circularity

The ambition to 2030

	Long-term target	Progress in 2023	Status
2030	-42% Scope 1 and Scope 2 absolute GHG emissions (2021 base year)	-15% (vs 2021)	-15% (vs 2021)
	At least -50% Scope 3 GHG emissions per million-Euro value added (Economic Intensity Target, 2021 base year)[13]	-29% (vs 2021)	-29% (Vs 2021)
	Sustainable Packaging 1. Use of packaging only if unavoidable 2. Removal of smaller packaging likely to be littered 3. Adapted to size and volume of the product 4. 100% Recyclable 5. Avoid plastic when possible with >35% recycled plastic 6. Contains no hazardous substances a. Contains information on its material content	New Target Alignment in progress for: - All packaging for French market - Selection of the Packaging for UK market	
	Mid-term supporting initiatives	**Progress in 2023**	**Status**
	Resource productivity		
2025	100% of production plants with energy efficiency improvement initiatives in place by 2023	100%	Completed
	Green Energy procurement increase in key countries	China and Mexico have achieved almost 100% of their electricity sourced from renewable energy, as verified through Energy Attribute Certificates (EACs).	WIP
	Zero waste to landfill by 2030	11% due to extreme event in Genga plant (flood), which generated a significant amount of "disaster waste"	+9% 2022 baseline recalculated and amended to 2%
	Ensure a more efficient use of water in our operations, by reducing water discharge and increasing treated water to be returned into the ecosystem	Monitoring program in place for all the Group's plant	WIP
	Circularity		
	Carry out assessments of the recyclability levels of our packaging, as part of the Sustainable Packaging Definition	New target	

2023 milestones

The Group's decarbonisation strategy: Ariston Group has set an ambitious **carbon reduction program,** which is currently in validation process by Science Based Target initiative (SBTi). The baseline was set for 2021 and calculated with reference to the Greenhouse Gas Protocol. This first step was **necessary to determine the Group's carbon footprint** through a calculation of its Scope 1, 2 and 3 emissions. The baseline made it possible to define **specific and quantitative decarbonisation targets** based on current climate science, namely, to reduce **Scope 1 and Scope 2** absolute emissions by **42%** and **Scope 3** emissions by at least **50%** per million-Euro value added by 2030.

The second step involved the **mapping of decarbonisation levers and impacts**, among which energy efficiency measures (especially in production plants), increase in the procurement of renewable energy and development of more efficient technologies and solutions to offer in the product portfolio. Finally, a **co-creation process with internal stakeholders** was implemented in order to define the forward-looking decarbonisation strategy.

[13] Economic intensity, meaning Total CO_2 emissions/EBITDA. CO_2 Emissions from use of sold products covering at least 67% of total Scope 3 emissions.

The Group's progress towards emission reduction

(tCO2e)	2023 (Excl. WB) (tCO_{2e})	2022 (tCO_{2e})	2021 (tCO_{2e})	Status (2023 vs 2021)
Scope 1 emissions	41,656	46,447	47,513	-10%
Scope 2 emissions	36,022	44,011	43,726	-18%
Scope 3 emissions[14] (use of sold products)	77,726,175	86,736,744	95,415,326	-10%
Economic Intensity Target	196	218	277	-29%

In terms of progress achieved so far, from 2021 overall **Scope 1 emissions have slightly decreased** in 2022 due to the fact that there was an increase of testing activities in laboratories; in 2023, a stronger impact was seen thanks to the implementation of energy efficiency measures in all plants. Moreover, Scope 1 emissions have decreased due to reduced usage of lower GWP blowing agents in selected factories within the Group. The decrease in **Scope 2** emissions is also linked to the adoption of renewable energy sources for electricity in plants located in China and Mexico, verified through Energy Attribute Certicates (EACs). Similarly, a decrease of 29% in indirect emissions (**Scope 3**) has been observed, partly thanks to the introduction of **the R32 refrigerant**[15], overall improving GHG intensity of heating heat pumps and consequently leading to a reduction of emissions resulting from their use by consumers. Additionally, the decrease in Scope 3 emissions is also influenced by shift towards a different product mix, featuring a higher proportion of products with lower greenhouse gas intensity.

2023 saw the integration of Wolf-Brink data into Scope 1 and 2 calculations as per featured in the table below:

(tCO2e)	2023 (Incl. WB)	2023 (Excl. WB)
Scope 1 emissions	50,276	41,656
Scope 2 emissions	45,431	36,022

Ariston Group has improved its calculation methodology in 2022 and 2023 of several Scope 3 categories from its baseline year. In 2024, the impact on the baseline of these changes in methodology as well as of recent acquisitions will be assessed, and if it is deemed significant (5% or larger of total base year emissions), the Group's base year and target will be recalculated, according to the baseline recalculation policy.

The Group's key decarbonisation levers

- In order to **reduce Scope 1 emissions**, levers include: the implementation of interventions on compressed air (replacement, revamping or improvement management), buildings (insulation), heat recovery and heat volume reduction, temperature management, installation of inverters, locating air leaks and the definition of a plan to resolve them, illumination (both replacement and management), as well as installation of meters and data collection system. Other levers include the integration of new installations and machineries, the enhancement of renewable energy systems for on-site energy generation, the implementation of electricity shut-down power saving applications and the gradual electrification of main processes and the corporate fleet.
- In line with its goal of **reducing Scope 2 emissions**, the Company is looking to increase the percentage of renewables in its energy mix. Some Italian plants have already undergone asset renovation and have been fitted with **PV (photovoltaic) roof panels** to produce energy for self-consumption. Additional investments are envisaged in the upcoming years in this sense. In Germany, a **renovation project for office roofs** has started, including the Wolf facilities in Auhof and Holledauer. The focus of these renovations extends to improving the insulation of roof surfaces and contributing to enhanced energy conservation within office spaces. Simultaneously, the **refurbishment of factory roofs** is underway in Mainburg, with a subsequent installation of **photovoltaic systems**. Last but not least in 2023, factories in China and Mexico achieved a significant milestone by utilising 100% electricity sourced from renewable energy, a consumption verified through Energy Attribute Certificates (EACs).
- In terms of **Scope 3 emissions**, evidence indicates that the largest proportion of the Group's emissions stem from the **downstream use of products**, with a minor component resulting from **purchased goods and services**. Key

[14] Scope 3 emissions refer only to the use of sold products category. For upstream and downstream Scope 3 emissions, please see Company Report 2023 dedicated section, on the Ariston Group website.
[15] R32 is a type of hydrofluorocarbon (HFC) refrigerant commonly used in air conditioning and heat pump systems, which is known for having a lower global warming potential (GWP) - a measure of how much heat a greenhouse gas traps in the atmosphere over a specific period of time, usually 100 years, compared to carbon dioxide.

levers at the Group's disposal to address sold product emissions include leveraging on renewable technology solutions, as well as the reliance on refrigerants with lower global warming potential as a means to improve product efficiency. Emissions stemming from purchased goods and services, instead, will be tackled through a renewed supplier relationship management and engagement model based on an ESG approach.

Energy efficiency across production facilities and plants

Efficiency in existing production sites: In line with the goal to start energy efficiency initiatives across all Group plants in 2023, the following activities have been completed or are in the final stages of implementation:

- Implementation of advanced insolation techniques in oven enamelling processes, oven flange tubes and painting ovens to minimise heat loss;
- Introduction of modulator oven burners, utilising cutting-edge technology to optimise combustion;
- Upgradation to energy-efficient lighting systems across the factory premises, parking and locker room areas, which also contribute to improve visibility;
- Introduction of new compressors with optimised features and integration of new valves in the compressor department to enhance operational efficiency;
- Vigilant identification and prompt rectification of factory leaks to prevent energy waste;
- Installation of new energy-efficient heating systems in office spaces, to ensure a comfortable working environment while minimising energy usage;
- Implementation of a revised timing schedule for the production of certain products to align with periods of lower energy demand;
- Integration of measures to recover and enhance the performance of Polyurethane (PU) insulation, promoting energy conservation;
- Implementation of heat recovery systems and measures to reduce gas consumption;
- Strategic reduction of energy consumption per unit (kWh/Pcs) based on a targeted benchmark and elimination f unnecessary fixed consumption.

The aim is to adopt and replicate the above-mentioned activities across all company locations, ensuring that decarbonisation efforts are uniformly applied.

Heat and energy recovery in the enamelling process: The enamelling process in the Group's production plants envisages the application of a resistance glass layer to the product's metal surface to make it smoother and create a protective barrier against the corrosive action of water and humidity. In order to melt the glass and ensure proper adhesion to the metal surface, high temperatures must be reached, which in turn release fumes at temperatures of around 450-500 °C.

In 2023, the Group implemented a project in one of its Italian plants, whose primary objective is to recover the energy available from chimneys through an air-to-air exchange system, recycling the heated air to preheat boilers. Overall, the project has achieved a notable 15% reduction in the average energy consumption, marking a significant step towards enhanced energy efficiency in the Company's production facilities.

Leak avoidance: The Group has invested in a highly advanced tool for detecting air leakages in production facilities to autonomously map the leakage points and fix them. Periodic self-managed detection campaigns are conducted across an increasing number of European production facilities to bring compressed air leakages under control. The primary objective – in line with the WCM approach – is to achieve a 50% reduction of compressed air loss.

To reach this, an advanced instrument has been procured: the Fluke ii900 Industrial Acoustic Camera. Equipped with an array of microphones to ensure a broad field of view, this camera enables the maintenance team to quickly and accurately pinpoint air, gas and vacuum leaks, even in noisy environments. Thanks to this tool, the Company is able to preliminarily self-detect leaks and draft a detailed report with all the found leakage points enclosing captured images, organized in a pareto based on the gravity. Maintenance team can organize the fixing activities based on the received report and maintain under control the number of losses due to air leaks.

Energy consumption monitoring: In order to manage and lower energy consumption, it is critical to monitor these trends in the first place. While the Chinese plant already monitors consumption, 3 production plants in Italy benefit from a metering network connected to a telemetering system, which to date covers approximately 60% of resource consumption. By 2025 the goal is to increase the metering tools needed toward the achievement of 100% of energy consumption monitoring for the rest of the plants. This initiative allows to set the foundation for analysing trends and implementing corrective actions. Moreover, this integration is key for obtaining the official recognition related to energy-saving interventions (such as "Certificati Bianchi" in Italy), also known as Energy Efficiency Certificates.

Reshoring activities: Ariston Group is looking to **bring its production bases closer to its end markets**, in order to minimise the risks associated with potential supply chain disruptions and **reduce the carbon footprint resulting from its global operations**. The plan ensures **proximity between production units, supplier bases and the end markets** towards which products are destined. Concrete examples include the Velis electric storage water heating product, **whose production was recently launched in Italy**. Similarly, 2023 saw a substantial increase in the share of **heat pumps manufactured on the Italian market**, with Albacina emerging as a key production site, complementing the one in Wuxi, China. This approach will cut down logistics costs and impacts by shortening the supply chain and selecting local suppliers, overall **contributing towards a reduction of the Group's Scope 3 emission**.

Increasing production capacity for more efficient product lines: It is predicted that **heat pumps sales would need to triple by 2030**, leading to a 30% reduction in global fossil fuel use in buildings[16]. In response, the Group is **increasing its production capacity**, focusing on heat pump production and on products which rely on renewable sources of energy. Significant investments have been made to **expand the production capacity** of Italian production sites, to develop more energy efficient product lines such as the propane-fuelled Hybrid Heat Pump (HHP) lines, thanks to the acquisition of Centrotec. Investments were also directed towards efficient production lines for **heating heat pumps** in Italy and China.

The World Class Methodology: Ariston Group implemented the **World Class Manufacturing (WCM) methodology** in 2011, a program to create a structured and replicable production system able to consistently **reduce all type of wastes and losses**. The methodology requires a constant monitoring and prevention of waste and losses, with the goal of improving the quality, safety, cost and environmental performance of the production process.

Overall, in 2023 the WCM program was **extended to cover all the Group's facilities**, introducing a **classification system based on the implementation level achieved** (beginner, intermediate and advanced). This classification enables optimised efforts and the introduction of tailored improvement plans based on the operational complexity of each plant. **Osimo**, in particular, **has made significant strides forward**, successfully passing the audit in September 2023 for the achievement of the **silver status award**. The audit, conducted over a three-day period by an external provider, certifies on-site competencies in Lean Manufacturing, the extent of process improvement expansions and the attainment of high standards of operational performance.

Moreover, in 2018 Ariston Group embraced the **World Class Logistics (WCL) methodology,** which constitutes **a shared approach** streamlining processes across the Group's warehouses at a global level. Fully operational in **two finished goods warehouses,** the WCL creates a replicable logistics system based on the goal of improving customer service levels, safety, costs and environmental performance, also thanks to a monitoring system and procedures for the prevention of waste and losses. 2023 saw the **kick-off of the program in two additional warehouses**, marking a proactive step towards extending the benefits of WCL to a broader number of facilities

Waste and water management

Waste management: In Europe, Ariston Group classifies each type of waste to identify specific European Waste Codes and customises treatment methods accordingly. The Group holds the **ISO 14001 certification** - renewed in 2023 - and its European production plants have adopted a standard for assessing the **environmental impact of waste**[17]. Throughout this comprehensive assessment, Ariston Group 's production plants are able to demonstrate **low waste-related impacts**, generating less than **5% hazardous waste** and achieving a **96% revalorisation** of total waste in Europe.

The sites of the latest acquisitions have also initiated a project aimed at achieving the ISO 14001 certification, with a deadline set for 2024. This effort aligns with the Group's ongoing commitment to certify an increasing number of production facilities.

Within the production process, **waste can be categorised into two primary groups**: first, **packaging waste from raw materials**, encompassing items such as cartons, plastic bags and wooden pallets and second, the **manufacturing scraps** generated by the production process, including metal cutting scraps, non-conforming work in progress or finished goods. According to the **5R methodology**, waste reduction projects are prioritised by:

1. **Refusing** the use of any unnecessary materials;
2. **Reducing** waste production by recovering waste as by-products, designing high-quality products with longer lives and efficient packaging;

[16] IEA (2022): Technology and innovation pathways for zero-carbon-ready buildings by 2030.
[17] This evaluation considers various factors, including volume trends, environmental sensitivity based on the percentage of waste disposed, legal requirements aligned with plant authorisation categories, stakeholder involvement (with a keen consideration of community interests), the affected area's extension and the reversibility of impacts.

3. **Recycling** metal, plastics, cartons, electrical components, etc.;
4. **Reusing** packaging in partnership with suppliers, reworking non-conforming products to reuse tanks and other metal components, selling wooden pallets for repair and reuse;
5. **Revalorising** waste through energy recovery and assessing available technology to treat non-recyclable materials such as polyurethane foam to maintain energy efficiency of the Group's boilers.

Based on the Group's strategy to meet ISO 14001 requirements, Ariston set an annual corporate objective of **decreasing IRT** (waste volume/production pieces) by 2%, achieved through various local initiatives including:

- The **Albacina** site replaced **singe use wiping cloth with a reusable version**, decreasing the volume of clothing contaminated by hazardous substance to be disposed in 2023 **by 30%.**
- The **Wuxi**, **Hanoi** and **Saint-Petersburg** sites successfully **utilized reusable plastic containers** for both receiving products from suppliers and distributing them through intercompany sales, avoiding the use of over 30 tonnes of cardboard.
- The **Namur** and **Chartres** sites upgraded their painting process to decrease the use of paint powder by 30%, therefore also **reducing packaging and process waste by 30%.**

Water management: The **ISO 14001 certification**, the **Group HSE Policy** and the **WCM methodology** are the same guidelines also followed by the Company when it comes to water management throughout its operations. Water is withdrawn from the municipality and from wells and is used for cooling, surface treatment in steel manufacturing plants, finished goods testing and for civil use. The water is subsequently released into sewers or directly into the environment, depending on its use and treatment necessities. All the production sites that release water into rivers are equipped with **internal chemical and physical filtration processes**, in accordance with the applicable environmental requirements.

To reduce water consumption, the Group focuses on **decreasing water use in production processes**, improving **reuse practices** and **reducing the use of tap water** through withdrawal from wells. 83% of the water withdrawal of the Company's ISO14001 certified plants is **directly pumped from ground water that is not drinkable**. Moreover, all of Ariston Group 's production plants strictly abide by local regulations that control the quality of discharged water through periodic monitoring. Any deviations are recorded in the internal audit and the **HSE action tracker**. Additionally, in accordance with Ariston Group 's incident management policy, any legal non-conformity or water pollution must be treated as a major environmental issue and immediately notified to top management for impact mitigation.

The impacts of the **use of water** by the production plants of Albacina, Cerreto, Genga, Namur, Osimo, Conce, Saltillo, Arcevia, Resana and the Fabriano laboratory are monitored on industrial, civil and rain waters. This assessment highlighted that 82% of the water extracted from groundwater by the production sites mentioned above is not potable. Assessment is also carried out on **water discharged** in order to verify its ecological status (water quality), its compliance to the legal requirements applicable to each plant, its conformity to stakeholders expectations (like the neighborhood, customers, owners, etc.) and the consequences of an incident such as its reversibility and the geographical area which would be affected. Initiatives to reduce water consumption across plants include:

- the Cerreto site replaced its compressor cooling systems with air-cooling ones;
- the Wuxi plant reduced the water consumption of the tube forming production unit by 1000 L/day with recycling water;
- the Saltillo plant trained 100% of workers on responsible water usage, as well as identifying 100% of leaks and increasing the use of treated water in green areas by 10% since 2022.

The Group also focuses on **increasing the quality of the water discharged**. For example, in the **Hanoi** site the Chemical Oxygen Demand (COD), the total nitrogen and the total phosphorus contaminants significantly decreased thanks to the upgrade of the water treatment station.

The adoption of more circular and products

Transparency and traceability in product materials: As a continuation of the initiatives launched during the effort to ensure compliance with the **AGEC law**, where the Group extensively mapped levels of recyclability, recycled materials, rare earth elements (e.g., scandium, lanthanum, cerium, neodymium, etc.), precious metals (gold, silver, platinum, palladium) and dangerous substances, a comprehensive data management project has been initiated. This broader effort aims to analyse the key data collection and management processes, establishing governance structures and enhancing integration with existing platforms.

The objective is to **streamline the handling of increasingly specific data**, making it more accessible and immediate. With a particular focus on materials used in products and components, the project also seeks to **enhance the availability of crucial information to reinforce the Group's circular approach**. In fact, the data collection carried out represents the first step for the deployment of **circularity practices**, as it allows to identify circular opportunities and to raise awareness in terms of resource consumption, with a potential to be further implemented into different areas of the business. This analysis also helps to improve the **transparency** and **traceability** of raw materials in the supply chain, as well as to strengthen the collaboration with suppliers around ESG topics.

Product-related data management: Ariston Group formulated a comprehensive Product Life-cycle Management (PLM) strategy to ensure the application and dissemination of **best practices throughout the entire life cycle of the product**. This strategic approach encompasses the management of a product - throughout its entire life cycle - from its design and development to its service and disposal. The implementation aims to enhance the time-to-market, product cost-effectiveness and fluent data management, which will in turn allow to monitor environmental impacts and establish circularity targets.

In 2023, the focus has been on extending the PLM platform, by **releasing core system features** and making the system available to all R&D hubs across the Company. Looking ahead to 2024, the Company plans to **further expand the functionality of the PLM system** with a specific emphasis on new areas, including product disposal management. This strategic timeline reflects the gradual evolution and integration of PLM into Ariston Group 's operations, emphasising a commitment to sustainability, efficiency and innovation.

Life Cycle Assessment (LCA) and Environmental Product Declaration: Ariston Group is committed to transparently communicating the environmental impact of its products throughout their lifecycle, thanks to the adoption of an Environmental Product Declaration (EPD).

As early as 2017, Ariston Group began working towards the PEP ecopassport: the PEP (Product Environmental Profile), registered under the PEP ecopassport® Program, is a type III environmental declaration that meets the ISO 14025 Standard and is based on the LCA methodology.

After having certified 10 products, in 2023 the Company has invested in assessing the impact of **3 addictional Life Cycle Assessment** on heating heat pumps, condensing boilers and hybrid solutions. In 2024, the Group will undertake various initiatives to start integrating product eco-design considerations within its R&D framework. To support this effort, the Company will introduce **advanced Life Cycle Assessment (LCA) software solutions**, complemented by comprehensive training for design engineers. These tools are already being seamlessly integrated into Wolf's Development Process, enabling engineers to conduct accurate and detailed carbon footprint calculations at various stages of product development.

Remanufacturing Printed Circuit Boards (PCB): **Reconditioning offers a multitude of benefits** that align with the principles of circularity and economic efficiency, by extending the useful life of components, reducing the environmental impact of the finished product and increasing the availability of spare parts. PCB stands for **Printed Circuit Board**, an insulating board on which electronic components such as resistors, capacitors and chips are soldered or mounted, providing an efficient and convenient way to electrically connect the components of an electronic device.

In line with its circularity efforts, throughout 2023 Ariston Group has defined all the processes required to **recover some types of PCBs from products under warranty and give them a second life**. Once worn-out parts are collected, the latter undergo a **testing phase** to detect potential issues and then **remanufactured** with the aim of creating a stream of reconditioned parts to be used as warranty replacements or to be sold together with standard parts. Throughout the year, **agreements with external suppliers have been successfully signed** and a **pilot project** is currently underway on the Italian market. Looking forward, Ariston Group is exploring various options to **replicate** and **expand the scope** of this innovative project.

Sustainable Packaging initiative: Driven by the constantly evolving regulatory landscape[18], by increased customer demands and by the ambition to decrease the impact of its packaging, Ariston Group is actively researching **alternative solutions** that represent more sustainable procurement choices. This becomes evident from the release of the Sustainable Packaging definition. In order to achieve this, the Company has launched a **project aimed at monitoring and tracking its**

[18] This landscape is evolving both at the EU level, with the Proposal for a Packaging and Packaging Waste Regulation (PPWR) which outlines stringent requirements, encompassing the composition of packaging substances, minimum recycled content in plastic packaging, overall packaging and empty-space minimisation, labelling and composition transparency, as well as defining reuse targets for transport packaging. The Regulation is expected to come into force in 2024. At the national level, France will adopt an EPS packaging ban starting from 1 January, 2025.

packaging-related data to set a performance baseline. This baseline involved an accurate analysis of the different packaging types (such as carton boxes, packaging fittings, labels, manuals, expanded polystyrene, etc.) deployed per product family across a number of production facilities.

As a result of this assessment, the Group is currently in the process of defining various initiatives to improve the recyclability of packaging in general, increase the share of recyclable packaging and recycled plastic, remove smaller packaging and minimise the use of plastic or avoid it where possible. The initial assessments of the recyclability levels of the packaging have been conducted and will continue throughout 2024, with the aim of outlining a more responsible use of materials that facilitates waste reduction, while ensuring compliance with recyclability principles defined by the European Commission. The most pressing issue that the Group is currently addressing is the replacement of EPS with recyclable materials, aligning with French regulations and sustainability goals shared with specific clients.

At the same time, other best practices have already been implemented within the Group. For example, Thermowatt is implementing a forward-looking initiative centred around the development of plastic-free packaging across its European plants. The project is focused on eliminating polystyrene from the packaging of thermostats and resistors and the introduction of sustainable solutions to progressively replace bubble wrap and adhesive tapes with paper-based solutions. Other initiatives are currently under evaluation, such as potentially adopting extensible film with a percentage of recycled material and PLA (bioplastics) or paper bags to replace plastic ones. Following an initial phase of research and testing for the creation of the first prototypes, the Company is currently conducting production trials and transport tests to assess the effectiveness of these solutions, which will drastically reduce the use of plastic in packaging materials.

In a parallel effort, Wolf has initiated a shift in the plastic bags used for the maintenance sets of gas/oil boilers. In fact, by reducing the thickness by one third of these components and incorporating 95% recycled material, the Company anticipates significant savings in materials. The Company has also introduced a stretched film which is thinner and with 50% recycled content, a strategic move which is projected to yield substantial CO_{2e} savings.

Moreover, Wolf is addressing the environmental impact of its EPS packaging by investigating alternative packaging technologies such as moulded paper pulp, as well as the recycled EPS for specific products. One example is the CHA-16 heat pump's packaging part, which is made entirely from recycled EPS.

Operations: Responsible supply chain

The ambition to 2030

	Long-term target	Progress in 2023	Status
2030	Align 100% of our strategic suppliers with our ESG journey	Ecovadis rating platform and IQ tools for risk assessment in place	WIP
	Mid-term supporting initiatives	**Progress in 2023**	**Status**
2025	Set ESG vendor rating criteria and policy for strategic suppliers by 2023	Provider engaged ESG assessment in suppliers' pre-qualification phase in place	WIP
	> 80% of products and services purchased from local suppliers	70.5% (excl. Wolf-Brink) the production of solutions featuring a lower localization % has increased; we are working to enhance this % in the near future	-1.5% (vs 2022)
	50% of strategic suppliers assessed on ESG performance	To be started in 2024	

2023 milestones

Supply chain due diligence: In anticipation of the upcoming due diligence legislation, the Group enhanced sustainability in procurement practices by partnering with EcoVadis, a leading provider of business sustainability ratings. Through this partnership, Ariston Group is able to map risks and opportunities, assess sustainability practices, monitor and track actions, as well as understand its performance and that of its suppliers.

In 2023, the Group started the development of a structured ESG assessment of its strategic supplier base for the identification of criteria that suppliers are required to align with. The project involves the evaluation of supplier ESG performance through a tailored rating score and the definition of a strategic approach which, in turn, leads to the definition of clear-cut improvement and monitoring plans. In order to engage and score suppliers, the Company is working to develop effective supplier management tools, training initiatives, questionnaires and improvement plans.

Moreover, in addition to the rating activities, supply chain risks are being mapped to gain a comprehensive overview of its supplier base. The collaboration, again with EcoVadis, is aimed at formulating a sustainable procurement strategy through an assessment of sustainability procurement risks. This evaluation considers three key dimensions:

1. Sustainability risks encompassing environmental impact, labour practices, human rights, ethics and sustainable purchasing risks specific to the industry. The assessment is based on the sector and the countries in which the company operates. In fact, the industry risk is based on an analysis of relevance, intensity and observed risks.
2. Procurement risks considering the supplier's significance to the Company in terms of spending and criticality and tracks related to financial, geographical, political dimension.
3. Risk scan process: once identified, risks are then positively or negatively mitigated through an ESG evaluation based on publicly available documents pertaining to suppliers (e.g., ISO Certifications, Code of Conduct etc.), which in turn are rated based on the category, type and validity over time (e.g., expiration date).

The overall risk score is therefore provided by weighting these three dimensions with the tailored ESG supplier rating scores. Currently, the Group has planned to assess more than 200 suppliers, with the idea to expand to approximately a thousand in the near future, encompassing both direct and indirect suppliers. In parallel, the foundations are being set to assess new suppliers against a range of ESG criteria during the pre-qualification phase. The latter involves fulfilment of applicable ISO certifications (i.e., ISO 45001, ISO 14001, ISO 9001, ISO 50001), indicating the accreditation for vendors and providing answers to over 70 mandatory questions that include several ESG aspects. This questionnaire is in the process of being implemented in the Group's e-vendor portal, a specialised platform that helps streamline the collection of supplier documentation for their evaluation.

In terms of social and environmental aspects, suppliers are assessed on the existence of policies regarding working conditions, labour relations and career management. Specific attention is paid to child and forced labour, diversity, non-discrimination and sexual harassment. The environmental aspect extends to requirements of policy and targets on energy consumption and greenhouse gas emissions, e-waste traceability, eco-design in product development, life cycle assessments, etc.

The ethical dimension also involves queries about the presence of conflict minerals (tin, tantalum, tungsten or gold) and the existence of a policy or procedure specifically addressing these materials, underscoring Ariston Group 's commitment to avoid deploying minerals linked to conflict zones.

In parallel to these commitments, Ariston Group also plans to implement a Sustainable Procurement Policy (SPP), a strategic framework guiding the procurement of materials, supplies and services based on their environmental and human health impact.

Sustainable features for materials and components: When it comes to raw materials and components, both sourced from within and outside Europe, Ariston Group requires its suppliers to adhere to several safety and environmental performance requirements.

- The RoHS Directive (Restriction of Hazardous Substances) applies to a wide range of electrical and electronic equipment, including household appliances and covers several hazardous substances with the aim to prevent the risks posed to human health and the environment by the management of electronic and electrical waste.
- The POPs Regulation (Persistent Organic Pollutants) also aims to reduce the environmental impact of certain persistent organic pollutants, which are resistant to environmental degradation and accumulate in the environment, causing a negative impact on human health and the environment.
- The appliances made by the Group are also subjected to the REACH Regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals), which covers virtually all chemical substances (hazardous and non-hazardous) manufactured, imported and used within the EU market and comprises the Registration, Evaluation, Authorisation and restriction of Chemicals. For all these requirements, the Group requires its own suppliers to submit the related statement on a yearly basis at least, in which they are asked to declare the compliance of their components and update in terms of material composition or due to regulatory changes. These statements are

then checked by the Group's Certification Division to ensure the compliance of suppliers with applicable requirements. The overall process ensures a clear mapping of materials and their composition, providing the Group with an overview of the current status and updates.

- Moreover, the Group started working on a roadmap in order to adhere to the new European **Drinking Water Acts on the quality of water intended for human consumption that will be published in 2024.** A specific certification process is being implemented to prove the conformity of various materials that come into contact with the water resource (e.g. metallic, organic and enamel materials).

SOCIAL

The "Social" Chapter includes the "People & Communities" and "Customers" pillars along with Human Rights topics. While "People" focuses on the Company internal personnel, "Communities" looks at the external communities in which the Group operates globally. Business-to-Business (B2B) and Business-to-Consumer (B2C) relationship management is discussed in the Chapter "Customers". The third section delves into Human Rights, highlighting the Company's human rights mapping process as a crucial component of its due diligence journey with EcoVadis.

Principal risk and its management

RISK: inability to fully cover health and safety, engagement and development, and human rights protection (diversity and inclusion, just and favourable working conditions, equal opportunities etc.) within the Group's operations (employees) and across the value chain (suppliers' workforce, customers and communities)

<table>
<tr><th>PEOPLE & COMMUNITIES – Policies and mitigation actions</th><th>CUSTOMERS – Policies and mitigation actions</th></tr>
<tr><td colspan="2">Human rights
- Human Rights Policy
- Human rights due diligence
- Code of Ethics
- Sedex "Supplier" membership for ethical trade</td></tr>
<tr><td>Employees' matters
<u>Health & Safety</u>
- Group HSE Policy
- Group HSE Management System
- ISO 45001 certification

<u>Engagement and development</u>
- Recruitment & Selection Process
- Remuneration Policy
- Diversity Policy</td><td>Social matters
- Group Quality Policy
- Quality Management System
- ISO 9001 certification
- Testing protocols to identify product weaknesses
- Technical Committees
- Training for Service Centres
- Expert Service App
- One Team Portal for professional network</td></tr>
</table>

Focus on Human rights' risk:

Human Rights Due Diligence: Ariston Group is aware that **respect for human rights** needs specific oversight and management tools, especially in regions with complex socio-political contexts, in which workers' rights and the relationships between business partners are not always disciplined by regulations equivalent to EU standards. The principles of legality, dignity and equality expressed in the **Code of Ethics and Corporate values**, as well as the choice of partners with proven reliability in managing local workers and suppliers, are the foundations on which the Group manages such issues. Each entity within the Group ensures the **integrity of its employees**, guaranteeing working conditions that comply with human rights and dignity. Prohibited practices include irregular and forced labor, employment of underage individuals, violence, harassment, and false accusations.

In 2022, in view of evolving European disclosure requirements, which push companies to align long-term business operational and governance procedures with human rights and environmental considerations, the Group has initiated a **strategic approach to implement a human rights due diligence process**, firstly by mapping impacts brought about by the business itself and identifying the most critical areas and countries. Said analysis has been based on international standards such as the UDHR and ILO guidelines as well as proposed EU legislation (e.g. the Corporate Sustainability Due Diligence Directive). As **high and medium-risk countries were mapped out, questionnaires and interviews have been carried out alongside requests for evidence, where necessary. Based on these findings, the Group** has released a **Global Human Rights Policy**, according to the United Nations Guiding Principles on Business and Human Rights (UNGP). Although no specific critical issues were found during the assessment phase, the Group has chosen to formalize its dedication to upholding human rights, which were already partially addressed in the Code of Ethics. To enhance focus on particular areas and to reaffirm the Group's commitment, specific measures, such as trainings, have been implemented. During 2023, two incidents of discrimination occurred. Both incidents were promptly addressed, and action plans were implemented. The remediation plans focused on implementing diversity and non-discrimination awareness initiatives. Additionally, an employee was terminated due to harassment, misconduct, and discrimination, while specific training and campaigns have been conducted on the code of ethics, discrimination, and harassment.

In 2023, with the commencement of the collaboration with Ecovadis, the Group also shifted its focus to supply chain due diligence, equipping itself with the necessary tools to enhance transparency and control over the ESG performance of its suppliers, particularly with regard to human rights. A specific tool aimed at identifying the level of risk in the supply chain has also been implemented, recognizing that such early-stage mapping requires a risk-based approach.

Ariston Group's commitment for ethical supply chains: In 2020, Ariston Group became a part of the Sedex network, a platform in Europe dedicated to gathering and analyzing data related to the implementation of ethical principles throughout supply chains. Sedex offers an online platform, as well as tools and services, to assist companies in conducting their operations responsibly and sustainably. The primary focus is on safeguarding workers and ensuring ethical procurement practices.

In 2021, the Group achieved Sedex's "Supplier" membership for ethical trade service providers, encompassing a total of six production sites: Genga, Cerreto, St. Petersburg, Wuxi, Namur, and Chartres. This membership entails completing a comprehensive self-assessment and undergoing Sedex Members Ethical Trade Audit, particularly for facilities located in countries categorized as "high risk." Subsequently, these high-risk countries participate in programs aimed at creating a safer working environment for their employees. Detailed reports stemming from these assessments are readily accessible for customers. This approach has persisted since the beginning of the collaboration, with audits occurring periodically.

People: excellent employee experience and engagement

The ambition to 2030

	Long-term target	Progress in 2023	Status
2030	To be a certified a world class employer that builds a sustainable working environment	Ariston Vietnam in the tops of the 100 Best Places to Work Ariston India honored with the Best Employer Brand Award 2023 for Maharashtra State	WIP
	Mid-term supporting initiatives	**Progress in 2023**	**Status**
2025	> 60% of managerial positions filled through internal career paths	78% (excluding Wolf-Brink)	+19% (vs 2022)
	At least 30% female employees and at least 30% male employees in Ariston Group Management team by 2030	24% (excluding Wolf-Brink) 22% (including Wolf-Brink)	Stable (vs 2022)

2023 milestones

We are Ariston Group

One Team Company: The global presence across 40 countries and its recent acquisitions have driven the Group to embrace a constant transformation, while broadening the concept of diversity and inclusion. Different cultures, nationalities, backgrounds and skills are constantly brought together. It is on these bases that the Group pursues a One Team Company approach: an inclusive workplace that seeks to create a sense of belonging to a unified company and equally respecting its diversity.

In 2023, the achievements of Ariston Group were made possible thanks to the contribution of its 10,769 employees. This number already considers the acquisition and integration of Wolf-Brink. As far as the workforce is concerned 78% are male and 22% female employees, with 58% of the population falling within the 30 to 50 age range. 93% of employees hold permanent contracts, and 90% work full-time. Part-time contracts account for 10% and are tailored to meet specific needs of employees. Ariston Group welcomed 1,966 new hires in 2023, with 26% being women and 11% under the age of 30[19].

[19] These figures already consider the acquisition and integration of Wolf-Brink

As the Group is strongly committed to promoting equal opportunities and diversity, the central HR team has spent 2023 planning and defining dedicated activities aimed at engaging and educating the workforce on these topics, disseminating awareness. As a subsequent step, in 2024 more concrete and specific programs will be implemented.

Employee by gender and region

	2023 (incl. WB)			2023 (excl. WB)			2022			2021		
	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total
Americas	205	809	1,014	205	809	1,014	179	802	981	213	1,085	1,298
Europe	1,627	6,252	7,879	1,098	3,989	5,087	1,060	3,907	4,967	1,035	3,889	4,924
MEA and Asia	442	1,434	1,876	442	1,434	1,876	514	1,416	2,027	415	1,221	1,636
Total	2,274	8,495	10,769	1,745	6,232	7,977	1,753	6,125	7,975	1,663	6,195	7,858

Diversity of employees, by gender and category

b. Employees (%)	2023 (Incl. WB)			2023 (excl. WB)			2022			2021		
	Male	Female	Other	Male	Female	Other	Male	Female	Other	Male	Fe-male	Other
White Collar	38%	16%	0%	36%	17%	0%	34%	16%	1%	34%	15%	0%
Blue Collar	41%	5%	0%	43%	5%	0%	43%	6%	1%	45%	6%	0%
Total	79%	21%	0%	79%	22%	0%	77%	22%	2%	79%	21%	0%

Diversity of employees, by age and category

b. Employees (%)	2023 (Incl. WB)			2023 (excl. WB)			2022			2021		
	< 30 y	30 - 50	> 50 y	< 30 y	30 - 50	> 50 y	< 30 y	30 - 50	> 50 y	< 30 y	30 - 50	> 50 y
White Collar	8%	33%	14%	6%	34%	12%	6%	33%	11%	6%	32%	11%
Blue Collar	6%	25%	15%	6%	27%	16%	6%	28%	15%	8%	28%	15%
*Total	14%	58%	29%	12%	61%	28%	12%	61%	26%	14%	60%	26%

Employee by contract, gender and region 2023 (Incl. WB)

	2023 (Incl. WB)								
	Americas			Europe			MEA and Asia		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Number of permanent/ full-time employees	202	806	1,008	1,192	5,346	6,538	336	1,166	1,502
Number of permanent/ part-time employees	2	3	5	354	620	974	15	3	18
Number of temporary/ full-time employees	0	0	0	61	248	309	89	252	341
Number of temporary/ part-time employees	1	0	1	20	38	58	0	1	1
Number of non-guaranteed employees	-	0	0	0	0	0	2	12	14
Regional total	205	809	1,014	1,627	6,252	7,879	442	1,434	1,876

Employee by contract, gender and region 2023 (excl. WB)

B. Employees by contract gender and re-gion* Head count / Full Time Equivalent (FTE)	2023 (excl. WB)								
	Americas			Europe			MEA and Asia		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Number of permanent/ full-time employees	202	806	1,008	891	3816	4,707	336	1,166	1,502
Number of permanent/ part-time employees	2	3	5	171	93	264	15	3	18
Number of temporary/ full-time employees	0	0	0	28	55	83	89	252	341
Number of temporary/ part-time employees	1	0	1	8	25	33	0	1	1
Number of non-guaranteed employees	-	0	0	0	0	0	2	12	14
Regional total	205	809	1,014	1,098	3989	5,087	442	1,434	1,876

Employee by contract, gender and region 2022

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
Number of permanent/ full-time employees	176	801	977	812	3,690	4,502	364	1,103	83	1,550
Number of permanent/ part-time employees	2	1	3	181	113	294	0	0	0	0
Number of temporary/ full-time employees	0	0	0	60	82	142	123	340	14	477
Number of temporary/ part-time employees	0	0	0	7	22	29	0	0	0	0
Number of non-guaranteed employees	1	0	1	0	0	0	0	0	0	0
Regional total	179	802	981	1,060	3,907	4,967	487	1,443	97	2,027

Employee by contract, gender and region 2021

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
Number of permanent/ full-time employees	212	1,085	1,297	759	3,662	4,421	287	940	0	1,227
Number of permanent/ part-time employees	0	0	0	191	112	303	0	0	0	1
Number of temporary/ full-time employees	0	0	0	74	96	170	120	288	0	408
Number of temporary/ part-time employees	1	0	1	11	19	30	0	0	0	0
Number of non-guaranteed employees	0	0	0	0	0	0	0	0	0	0
Regional total	213	1,085	1,298	1,060	3,907	4,924	487	1,229	0	1,636

Workers who are not employees

	2023 (Incl. WB)	2023 (excl. WB)	2022	2021
Total	896	761	1,020	1,032

Employee hiring rate, 2023 (Incl. WB)

	2023 (Incl. WB)								
	Americas			Europe			MEA and Asia		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
< 30 y	38	99	**137**	125	306	**431**	46	108	**154**
30 - 50 y	50	104	**154**	161	485	**646**	64	184	**248**
> 50 y	5	15	**20**	27	134	**161**	5	10	**15**
Total Hiring	93	218	311	313	925	1,238	115	302	417
Total employee number					10,769				
Hiring rate					18%				

Employee hiring rate, 2023 (excl. WB)

	2023 (excl. WB)								
	Americas			Europe			MEA and Asia		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
< 30 y	38	99	**137**	76	152	**228**	46	108	**154**
30 - 50 y	50	104	**154**	111	326	**437**	64	184	**248**
> 50 y	5	15	**20**	20	95	**115**	5	10	**15**
Total Hiring	93	218	311	207	573	780	115	302	417
Total employee number					1,0769				
Hiring rate					14%				

Employee hiring rate, 2022

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
< 30 y	14	91	**105**	78	168	**246**	41	75	41	**157**
30 - 50 y	22	76	**98**	127	324	**451**	62	180	11	**253**
> 50 y	6	11	**17**	22	72	**94**	4	10	0	**14**
Total Hiring	42	178	220	227	564	791	107	265	52	424
Total employee number					8,026					
Hiring rate					18%					

Employee hiring rate, 2021

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
< 30 y	24	311	**335**	84	198	**282**	26	75	13	**114**
30 - 50 y	29	193	**222**	101	315	**416**	53	144	13	**210**
> 50 y	3	15	**18**	11	55	**66**	2	4	0	**6**
Total Hiring	56	519	**575**	196	568	**764**	81	223	26	**330**
Total employee number					7,663					
Hiring rate					22%					

Employee turnover rate, 2023 (Incl. WB)

	2023 (Incl. WB)								
	Americas			Europe			MEA and Asia		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
< 30 y	31	131	**162**	77	178	**255**	49	86	**135**
30 - 50 y	33	132	**165**	95	331	**426**	74	169	**243**
> 50 y	6	30	**36**	45	205	**250**	7	32	**39**
Total	70	293	363	217	714	931	130	287	417
Total employee number					10,769				
Turnover rate					16%				

Employee turnover rate, 2023 (excl. WB)

	2023 (excl. WB)								
	Americas			Europe			MEA and Asia		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
< 30 y	31	131	**162**	43	81	**124**	49	86	**135**
30 - 50 y	33	132	**165**	78	246	**324**	74	169	**243**
> 50 y	6	30	**36**	37	134	**171**	7	32	**39**
Total	70	293	363	158	461	619	130	287	417
Total employee number					10,769				
Turnover rate					13%				

Employee turnover rate, 2022

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
< 30 y	23	196	**219**	52	92	**144**	30	54	33	**117**
30 - 50 y	44	196	**240**	95	274	**369**	47	150	17	**214**
> 50 y	5	52	**57**	41	172	**213**	12	31	0	**43**
Total Hiring	72	444	**516**	188	538	**726**	89	235	50	**374**
Total employee number					8,086					
Turnover rate					20%					

Employee turnover rate, 2021

	Americas			Europe			MEA and Asia			
	Female	Male	Total	Female	Male	Total	Female	Male	N.D.	Total
< 30 y	21	294	**315**	33	93	**126**	24	43	0	**67**
30 - 50 y	25	178	**203**	68	234	**302**	47	148	0	**195**
> 50 y	3	19	**22**	25	138	**163**	0	9	0	**9**
Total Hiring	49	491	**540**	126	465	**591**	71	200	0	**271**
Total employee number					7,663					
Turnover rate					18%					

Average hours of training provided to employees, by gender

a. Average hours of training provided to employees	2023 (Incl. WB)			2023 (excl. WB)			2022		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
White collar	13.5	11.5	**12.5**	10.5	10.5	**10.5**	15.8	14.1	**15.0**
Blue collar	10.3	4.5	**7.4**	12.2	5.4	**8.8**	3.8	4.7	**4.25**
Total	**11.9**	**8.0**	**9.9**	**11.4**	**8.0**	**9.7**	**9.8**	**9.4**	**9.6**

Integrating diversity & inclusion by giving voice to employees' stories and talent

To give voice to its cultural diversity, Ariston Group leverages its internal communication tools to tell employees' professional and personal stories, in the firm belief that each narrative contributes to enriching the Group's identity. During 2023, **more than 20 people from 15 different countries** shared their experiences with their worldwide colleagues. More specifically, these stories involved colleagues of **different ages, nationalities and backgrounds**, and put a spotlight on personal career paths, achievements and significant initiatives involving **female leaders.**
Similarly, and with an eye to **generational diversity**, the latest edition of the **My Ariston Group program** designed for new hires, saw 70 young talents from 13 different nationalities across the organisation showcasing in front of the Group's top management real business projects implementable in the company.

Wolf's initiatives to create a diverse workplace

In 2023, Wolf concentrated its efforts to integrate gender diversity within the business culture. Its commitment can be summarised in two projects:

- Diversity management: in September 2023, Wolf signed the "Charta der Vielfalt", a voluntary commitment to **promote the recognition, appreciation and integration of diversity into the Company's culture**. The "Charta der Vielfalt Association" is the biggest German corporate initiative and is under the patronage of German chancellor Olaf Scholz.
- Increasing women's representation and advancement: in July 2023, Wolf launched a network initiative to enhance the representation and progression of women within the organisation. The program commenced with a **kick-off event of all female leaders**, where they shared insights, identified opportunities and addressed challenges faced by women in leadership positions. In a second meeting the female leaders had a **specific training session focused on communication skills** specifically designed on the topics identified in the first meeting. Furthermore, the network initiative of female leaders organized an evening event under the motto "Women take over responsibility" to which all Wolf women were invited. The program included **interviews of leaders** as well as **interactive theme tables** with different topics as for example how to manage career & family, how to act in social media etc.

Employees' skills development and growth

Extending the Global Leadership Program (GLP): The Global Leadership Program (GLP) is focused on improving employees' competencies according to the approach outlined in Ariston Group's Leadership Model: "LEAD CHANGE, LEAD BUSINESS, LEAD PEOPLE". Launched in 2021, the initiative strives to strengthen leadership skills amongst employees from 25 different countries and foster a feedback culture.

Initially, the fully digital GLP was tailored for Executives and Senior Managers. The program was then extended to the Mid-Management level and, in 2023, it involved Individual Contributors and every new employee, at any level, through 6 interactive modules composed by individual business coaching journeys, collaborative team learning sessions and online content. 1,000 employees across the business have already completed the journey or are underway in doing so. To date the program has been delivered in 8 languages.

Performance Management Process: Ariston Group's Performance Management Process emphasizes transparent communication and employee involvement in goal setting and goals assessment. Focused on feedback and an employee-centric approach, it fosters accountability and recognition and it identifies professional development needs.

In 2023 the Group renewed its Performance Management Process for white collar and executive permanent employees. The first novelty entails the connection between Performance Management and Short-Term Incentives (STI) according to which bonus payouts are now linked to both Group STI scorecards and Individual Performance scores, promoting a higher commitment to individual goals and behaviors. This new approach aims to align variable remuneration with short-term Company performance results, with STI Plan awards being directly linked and proportional to the actual achievement of performance targets, in order to foster a culture of collaboration and teamwork at all organizational levels. Transparent communication of the company's performance ambitions and the expected commitment from each individual is integral to this approach.

The structure of the new Performance Management Process (PMP) involves three main phases: Goal Setting, Mid-Year Assessment and Overall Assessment. Key changes in the process include also the enhancement of a centralised platform and reporting for monitoring progress and create a comprehensive, fair, and consistent approach to performance management.

Mentoring program: In 2023, Ariston Group unveiled the Mentoring Program, based on the concept that sharing knowledge within the Company helps people grow both personally and professionally. It also envisages an approach to skills enhancement designed to help mentees navigate challenges and prepare for future opportunities. In terms of benefits, there are 3 ways in which mentorship helps with employee engagement: firstly, by providing opportunities for professional development, tapping into the knowledge of more senior employees; secondly, by giving employees a voice to speak with leadership, breaking down communication barriers; and finally, by building supportive working relationships and promoting a growth-focused mindset.

Currently in the pilot phase, the program engages 10 mentors and 10 mentees, carefully selected across geographies and functions, with a view on gender balance. Mentors undergo 4 comprehensive training modules, equipping them with core mentoring skills, conversational techniques and effective closing strategies. Mentees, on the other hand, benefit from modules focused on structuring conversations and setting goals.

Learning and development opportunities through the MyLearning Platform: An important tool in supporting employees' developmental goals is Ariston's Learning Management System (LMS), the MyLearning platform. This user-friendly online hub serves as a central repository, integrating all corporate learning materials that range from in-person to digital courses. All employees have access to the platform, allowing them to build their self-learning journey and participate in annual corporate training sessions delivered online. In 2023, an average of 9.9 training hours per employee was delivered (including Wolf-Brink; 9.7 hours excluding Wolf-Brink).

Upskilling programs for white collar employees	Objectives	Hours (per edition)
Global Leadership Program	To activate, support and strengthen practices associated with the competencies of Ariston Group Leadership Model: LEAD CHANGE, LEAD BUSINESS and, most importantly, LEAD PEOPLE	3
My Ariston Group	To support the induction of new employees with 6-12 months of experience, transferring knowledge on business competencies and key Ariston Group processes	40
Presentation effectiveness	To refine and improve the style, structure, content and delivery of presentations, through the application of effective techniques, practice and live feedback	22
Leading people for growth	To support recently assigned managers in leading their teams and the achievement of the results through effective people management skills	20
Transition to General Management	To support the step up to general management with a toolkit of skills and knowledge in order to gain the confidence to manage the complexity of the transition from specialist to generalist.	80

Fostering quality awareness and culture: In 2023 the **Quality Awareness and Culture** project was launched by the Quality Department, as one of the working streams of the Quality Roadmap. In collaboration with HR, an engagement program was launched via the Group's Intranet to help disseminate awareness amongst employees on quality tools, principles and methodologies. Moreover, dedicated e-learning sessions on different subject matter (such as Six Sigma and ISO 9001) are accessible to everyone through the Learning Management System.

Internalisation of critical skills and competencies

Addressing the risk of sourcing critical competencies, particularly across the STEM fields (Science, Technology, Engineering and Mathematics), requires **proactive measures** such as the **creation of technical or digital programs** within the Company alongside partnerships with educational institutions.

A combined vision to unify sustainable thermal comfort and digital innovation: Ariston Group is one of the key players in the **first edition of the Hardware & Software Codesign Academy** – a program at Polytechnic University of Milan dedicated to the complex professional role of the hardware-software engineer. Designed for **24 future engineers**, the Academy serves as a platform whereby theoretical knowledge is merged with hands-on expertise. Workshops and networking events provide valuable opportunities for young engineers to learn from experts, collaborate and gain essential skills for their future careers. Ariston Group and the Polytechnic University of Milan are also **addressing the demands of the digital age**, a commitment that strongly resonates with the broader goal of the **energy transition**. By fostering research in crucial areas such as heat pump and combustion technologies, this partnership ensures that the solutions of tomorrow are sustainable and technologically advanced. Moreover, the Group seizes the opportunity to identify and recruit young talents, ensuring a continuous inflow of skilled professionals into the industry.

Digital career program: In the context of its digital transformational efforts over the past years, **the Digital Career Program, arrived at its 4th edition**. In 2023, the program involved **16 graduates** hired across different roles, who embarked on a **6-month training period**, during which they were engaged in company relevant projects and entrusted with specific objectives. The increasing number of participants and company functions underscores the commitment of the business to enhance digitalisation across the whole Group. The program is also part of the broader framework of supporting the training and introduction of new skills that are critical for the future of the Company.

The Thermowatt Academy: Ariston Group's premier component brand, **Thermowatt,** launched its Academy in 2020 to develop professional paths in the manufacturing world and to transfer technical know-how from Thermowatt's production sites to students from Italian technical schools, particularly in the Marche region. The Academy has expanded over the years, becoming the systematic way of onboarding young professionals into the Company from both technical schools (ITS) and undergraduate/pregraduate programs. The Academy will be expanded to include the other Group's brands.

In **2023**, Thermowatt geared up for its **4th edition**. Students participated in comprehensive **training** covering essential aspects such as safety protocols, quality standards, production processes, human resources management and maintenance procedures. Additionally, field training sessions were conducted, focusing on mentoring, production techniques, WCM and quality control. In total, participants received **32 hours of classroom training**, complemented by **100 hours of on-the-job training.**

Occupational health and safety management system

Health and Safety Management: Ariston Group has established an Occupational Health and Safety Management System, accredited by the British Standards Institution and ISO 45001:2015 certified. The latter integrates the Environmental and Quality Management systems adhering, respectively, to the ISO 14001:2015 and ISO 9001:2015 standards. The Integrated System is detailed in the HSE Management Manual, organised in a cyclical framework encompassing the planning, implementation, monitoring and review stages. This approach ensures uniform procedures and guidelines across all organisational levels. In 2023, with over **7623 (Excludind WB) and 11160 (Including WB)** thousand hours worked among employees, the Group recorded 30 injuries (Excluding WB) and 52 injuries (Including WB).

Communities: education for the future

The ambition to 2030

	Long-term target	Progress in 2023	Status
2030	100% Countries engaged in projects that foster awareness on sustainable thermal comfort as an enabler for social development	Germany, Hungary, Italy, Spain, Israel, Morocco, Romania, Vietnam involved in different activities	WIP

2023 milestones

The Aristide Merloni Foundation: In line with previous years, in 2023 the Aristide Merloni Foundation continued to play an active role in promoting culture, education and economic development. On 6 February 2023, the book entitled "Francesco Merloni: Il secolo dello sviluppo. Internazionalizzazione e coscienza territoriale"[20] was presented at Palazzo Altieri in Rome. The book focuses on Francesco Merloni's industrial and political history and the presentation event saw speeches given by author Giorgio Mangani, journalist Ferruccio De Bortoli, President Emeritus of the Constitutional Court Giuliano Amato and RAI President Marinella Soldi. The tour resumed with events held in Milan at the Bocconi University, in Torino and in Ancona in September.

In February, the Foundation collaborated with Best of the Apps and the Higher Education Institute Merloni Miliani for a school-to-work alternation project. Over a 4-month period, students tackled critical aspects of e-commerce and presented solutions to improve its effectiveness. The award ceremony was held in June. The Foundation's commitment to education was further demonstrated in the context of Economia Marche, an historical economic magazine edited by the Foundation. The annual Marche Economy Lecture was held in May, followed by the announcement of the awards for 6 winning theses.

In May, the focus shifted on energy efficiency with the event entitled "Together for Energy Efficiency in Reconstruction", a collaborative effort between the Group and ANCE Marche, the representative body of building contractors in the region, with an emphasis on sustainable rebuilding following the 2016 earthquake.

Future Campus Fabriano is an innovation-oriented training course aimed at young people, which was held in collaboration with Confindustria Fabriano in order to introduce young generations to the businesses present in the area. In its 2nd edition, beginner classes were organised for new entrants and senior classes for those who attended the campus in the previous year.

Summer saw the 8th edition of the Scientific Committee of the Aristide Merloni Foundation, delving into the new EU's industrial policy and the ambition for technological and energy independence. The conference was opened by Adolfo Urso, Minister for Enterprise and Made in Italy. Speakers included Maria Chiara Carrozza, President of the National Research Council of Italy, Giovanni Gorno Tempini, President of Cassa Depositi e Prestiti, Arancha Laya Gonzales, former World Trade Organisation Director General and Spanish Foreign Minister and former Prime Ministers Enrico Letta and Romano Prodi.

As a Founding Member of the Hub Abruzzo Marche Umbria (HAMU), in 2023 the main topics addressed were the launch of the innovation ecosystem for Central Italy, the contribution to the creation of a Private Capital company and a study entitled "Energy for Central Italy". The latter envisages, between 2023 and 2024, the creation of energy communities in

[20] Francesco Merloni: The Century of Development. Internationalization and territorial awareness.

the territories of Abruzzo, Marche and Umbria, on the one hand, and a strategic partnership with other countries belonging to the Adriatic-Ionian region, on the other.

In December a new educational initiative, undertaken in collaboration with the Merloni Foundation, is dedicated to energy efficiency and "green jobs." Targeting around 90 students, the project aims to train future technicians. Participating schools include the I.I.S Merloni Miliani in Fabriano and the I.I.S Enrico Mattei in Recanati. Mario Salari, Head of Italy, presented a comprehensive, long-term training program focused on channeling efforts and resources into green jobs, increasingly vital for ensuring a sustainable future. Ariston Group is actively engaged, investing in the project to support the education system with the aim of enriching students' training paths and guiding them toward a rapidly evolving market. The students will have the opportunity to visit production sites in Fabriano and Osimo and to attend specialized lessons.

Educational and awareness focused activities

Germany

- ELCO's Youth Sponsorships: **ELCO** hosts so-called "Tech Days": dedicated sessions aimed at bringing together architects, planners, legislators and scientists to showcase innovative projects that can contribute towards reaching the EU's net zero targets by 2050. Moreover, ELCO engages with local communities, focusing on **youth sponsorship and supporting sports and recreational activities for individuals and teams**. Indeed, this year alone and in collaboration with their Installer Partners, ELCO supported 56 youth clubs in Germany.
- Wolf employees engage in the annual **"Ramadama" clean-up action** to remove rubbish on the company's premises and surrounding areas. On 5 May 2023, employees volunteered to collect garbage in the southern Mainburg industrial area. In occasion of the e-waste day on 14 October 2023, employees gathered small electrical devices in collection boxes for a period of one month to ensure these were recycled.

Hungary: the **Nimbus Garden Veszprém Project** is a design installation located in a greenhouse where Mediterranean plants are grown using renewable energy, including solar roof tiles and an Ariston Nimbus Pocket M-Net R32 heat pump. The project is aimed at **increasing awareness on climate change and the importance of renewable energy**, as well as promoting environmentally friendly and aesthetic designs. The installation showcases many innovative features, including energy efficient heating and cooling systems.

Italy: in 2023, the **AMPlification project** has entered its 2nd edition, with the collaboration of Worldrise and the support of Ariston Group. This initiative places the spotlight on the importance of Italy's Marine Protected Areas and their biodiversity with the younger generation. Two marine protected areas were supported in the year: **Bergeggi Island in Liguria** and **Capo Milazzo in Sicily.** Through dedicated classes and engaging interactive activities, children **from 8 elementary schools** have been introduced to essential conservation practices.

Spain: Ariston Spain is strengthening efforts toward training Installers, with a specific focus on organisations aiding at-risk youth. In 2023, **900 people from 487 companies were trained by means of 120 courses**. These promote sustainable solutions including aerothermal energy through advertising campaigns and educational initiatives.

Supporting non-profit organisations

Israel: In 2023 Chromagen **donated 4 solar water heating systems** for a non-profit sailing organisation in Haifa, close to the Mediterranean Sea. The non-profit organisation supports 45 children with special needs, allowing them to participate in different activities to help them gain self-confidence and learn life skills. Furthermore, Chromagen hosted a group of young teenagers from the "Aharai-Tech" movement, to develop a solar water heating forecast system. Lastly, Chromagen **donated 2 300 L solar water thermosiphon systems** to the new Chabad centre in Bangkok, Thailand. The installation was conducted by an Israeli volunteer.

Morocco: Ariston Morocco chose the small village of Touama near Marrakech **to provide hot water facilities** in three key locations: Dar Taliba Touama, a housing facility for young girls attending high school; Dar Oumouma, a maternity facility for pregnant women from surrounding areas; and a postnatal recovery space. Examples of heating solutions provided range from electric water heaters to solar water heaters. Additionally, in the aftermath of the 7.0 magnitude earthquake which struck the Marrakech region in September 2023, **Ariston joined the relief efforts visiting the affected areas and delivering informal donations of essential goods**.

Romania: since 2018 Ariston Romania contributed to **national educational institutions by supplying efficient boilers**. In collaboration with the Romanian Red Cross, Ariston also sponsored local NGOs, such as Book Land, Charity of Good Gala and City of Good Deeds. Additionally, a school in the Apuseni mountains was equipped with efficient boilers, enabling over 3,000 children to have access to hot water. In June 2023, Ariston Romania was awarded with the 2nd place in the community support category by the Romanian CSR Awards.

Spain: in 2023, Ariston Spain, together with the Fundació Hàbitat3 and Casa Jové not-for-profit organisations, actively promoted the Casa Bloc social housing complex in Barcelona, by **donating 17 Lydos Hybrid electric water heaters over the years**. These systems made it possible to save 50% in energy consumption compared to conventional water heaters, resulting in almost €200 savings per year per household.

Vietnam: through a collaboration with local charity organisations, Ariston Vietnam facilitated the **donation and installation of more than 80 storage water heaters** in primary and secondary schools across the highland provinces of Northern Vietnam. Moreover, the Company's colleagues organised an event to celebrate the Mid-Autumn Festival and foster awareness on the importance of thermal comfort for sustainable living.

Creating value for communities and stakeholders

Economic Value Generated and Distributed

(Million euro)	2023 (incl. WB)	2023 (excl. WB)	2022	2021
Economic value directly generated	3,160	2,338	2,432	2,024
Directly distributed economic value	2,827	2,139	2,249	1,824
Operating costs	1,969	1,513	1,657	1,327
Value distributed to employees	675	476	459	412
Value distributed to capital suppliers	42	38	25	8
Value distributed to the public administration	88	60	60	25
Value distributed to shareholders	48	48	46	48
Value distributed to the community	4	4	2	2
Economic value retained	329	198	192	198

Customers: Beyond Customer Proximity

The ambition to 2030

	Long-term target	Progress in 2023	Status
2030	Deliver excellent, tailored solutions and services to B2B and B2C customers and increase the loyalty of professionals	Comprehensive enhancement of B2B and B2C tools across all levels: listening, engagement and support	WIP
	Mid-term supporting initiatives	**Progress in 2023**	**Status**
2025	Quantitative Ariston Brand Equity B2C assessment every 2 years	Completed in 2022	
	Voice of Our Professionals B2B program launch in 2023	Completed in 2023	
	Voice of Our Professionals B2B program every 2 years	New target	
	> 8 key countries with active "OneTeam Professional" portal	Active in 5 key countries	+2 countries (vs 2022)
	+15% Ariston website organic clicks performance per year	+15% vs 2022	+15% (vs 2022)

2023 milestones

Focus on Professionals

LISTENING TOOLS

Brand Equity Assessment: To achieve the goal of becoming the preferred partner for professionals like Installers, Service Centres, and Planners, the Group prioritizes providing tools for continuous improvement by gathering feedback. The primary tool for this purpose is the Brand Equity Assessment, initiated in 2023 and conducted biennially. The main objective is to measure brand perception, strengths, and weaknesses among professionals, while evaluating their customer experience. This study involves a survey distributed to a diverse panel of over 3,000 professionals, including Installers and Service Centres working with Ariston and other industry brands in key countries. The initiative ensures a comprehensive and inclusive analysis due to the varied experiences and backgrounds of the participants.

Technical Committees: The Group consistently offers listening and meeting opportunities through both online and on-site Technical Committees. These moments provide a valuable occasion for dialogue with the service partners and offer structured platforms for discussing and collecting potential product issues, assessing perceptions on product quality and identifying ways to improve product lines or create new ones. This year, the Technical Committees were expanded to include the United States and Mexico, in addition to the markets already involved in the project: France, Italy, Poland, Romania, Spain, the Netherlands, Switzerland, Austria and Germany.

The Group also develops an annual plan to collect feedback and insights from B2B customers that provide installation and support services. This activity facilitates the connection of regional partners with corporate offices responsible for R&D, Product Marketing, Quality and Operations. In 2023, the Ariston Group conducted a total of 9 technical support sessions, involving around 100 participants, across various countries. The sessions involved 5 Corporate Departments (Service, Quality, R&D, Connectivity and Product Management), with the aim of meeting Service Centres from different countries in Europe, dealing with both Ariston and ELCO brands.

ENGAGEMENT TOOLS

The OneTeam Portal: To assist professionals and engage them through daily service tasks, the Group has established the OneTeam Portal, a comprehensive digital portal that works as a valuable reference point for them. Since its launch, the platform has continuously evolved to include new digital services, training programmes and up-to-date product information, with the ultimate goal of becoming an essential tool for diverse markets.

It features, for example, an Event & Learning Hub, dedicated to both online and offline learning events; a Media Centre, providing easy access to a rich catalogue of brand-related, promotional and technical videos; the E-Catalogue, an interactive digital catalogue offering product technical specifications; and the Solution Portfolio, showcasing best practices of system installations in the field.

In 2023, new training programmes were launched on the platform. Courses vary across markets with annual content updates based on new product launches. The platform further expanded its presence in Romania in January and in France in June. As of today, the platform engages approximately 12,200 professionals across 5 markets, with monthly engagement rates exceeding 70%, with users expressing a high level of satisfaction with the platform thanks to its user-friendliness and its relevance to their work.

Expert Service app: The Expert Service app was designed for authorised service centre networks to facilitate their daily work through digital services that enable ease and speed. The app replaces AThOS, the current corporate platform used by authorised service centre networks to register after-sales interventions in the field. Through the Expert Service app, technicians will be able to globally report their daily work activities through an end-to-end paperless process, registering interventions, activating extended warranty contracts and collecting technical information through a single tool. The app will, in fact, soon be incorporating Quick Fix functionalities.

In 2023, the platform was launched for the Ariston brand in Italy and France, as well as for ELCO in Italy. The goal is to extend the platform in all the major countries, to positively impact after-sales processes, including from a sustainability point of view: in 9 months, in just 3 markets, the Group was able to save more than 1 ton of paper thanks to this new and digitalised approach.

Sales Academy: Launched in 2021, the Sales Academy aims to uphold sales standards for Ariston's customers by optimizing go to market processes, across business models and transferring skills to the sales teams, providing them with the necessary tools for executing sales with the highest level of effectiveness in the continuously changing competitive environment they operate in. This project spans over 15 countries across America, Asia, Africa and Europe, with the goal of creating a repository of best practices through targeted training across regions. In addition to the codification of best practices, additional objectives include the ability to assess sales competencies, offer continuous learning programmes, as well as professional training courses and create an online sales community.

Starting from the pilot training launched in 2022 and delivered to around 40 individuals, in the spring of 2023 a comprehensive training programme was launched for the entire sales force in France. Currently, the focus lies in assessing the benefits brought by this training, measuring them across various dimensions including feedback and learning assessments. One of the key objectives of the Academy is to centralise and consolidate the training material, in order to make it accessible on the Group's Intranet alongside additional materials to clarify and define sales processes. This programme continues to set the foundations for a Global Academy to eventually introduce an international program that trains the entire sales personnel across the company and guarantees customer proximity and engagement.

SUPPORT TOOLS

Training Service Centre teams: In light of the growing complexity of products and technologies within the industry, Ariston Group offers training opportunities targeted to the Service Centre teams who provide assistance and repair services for the company's products. These courses are specifically designed for professionals to enhance their understanding of product specifics, ultimately enabling them to offer the best assistance to the end customer.

The activities comprise technical training, courses covering the products and solutions installation, repair and configuration, as well as the provision of comprehensive technical documentation and an extensive repository of informational materials. With regard to the Ariston and Chaffoteaux brands in Europe, a total of 552 training sessions were provided, for a total of 4,026 hours and 4,769 participants.[21] More specifically, countries involved are Italy, France, Spain, Romania, Poland, Hungary, Czech Republic, the UK and the Balkans.

On the occasion of ATAG Heating's 75th anniversary, which fell on 6 October 2023, the ComfortHub training centre was opened in Lichtenvoorde, in the Netherlands, with the ambition of supporting Installers in the transition towards heat pumps, addressing the challenges such a transition poses for Installers. Over the next few years, the centre will tackle these gaps by training current and new Installers who need to switch from gas condensing heating boilers to electric and hybrid heat pumps.

With the goal to provide Service Centres with further knowledge and support, the Group has broadened its offer by providing a comprehensive service package – the Service Bundle – containing troubleshooting resources and easily accessible technical documentation. The bundle is activated during the initial setup of connected products and leverages on connectivity to provide remote support with an extended warranty into a single solution. Within this package, the Tutoring Service stands out, providing proactive and remote technical support services by leveraging connectivity, thereby enhancing the efficiency of the assistance provided.

Another example is the interactive Quick Fix app, which provides Installers with solutions to tackle the most common and frequent product issues. Moreover, the Quick Fix offers online access to product documentation, including user manuals, exploded views, spare part lists and technical notes. The app is also designed to be used in locations with unstable or limited internet access, since searches can also be conducted offline.

In 2023, the app was extended to multiple markets and for the ATAG brand in Italy. Overall, the year was concluded with the introduction of 10 new troubleshooting methods. Looking ahead, a project is currently underway to integrate Quick Fix's capabilities into the new Expert Service platform.

FOCUSING ON ELCO AND WOLF: DIRECT SERVICE

Wolf service department: Wolf Service Department operates on a Service process built upon several key pillars.

- The service journey begins with a dedicated Call Centre for end customers, facilitating consulting and service requests, including the scheduling of appointments with end customers and ensuring timely deployment and responses.
- The Technical Consulting area is tailored to provide technical support for specialist trades and wholesalers to this is made possible through Wolf's internal service and training programs, with a focus on maintaining a 90% rate of accessibility while delivering high-quality advice.

[21] The Group is currently also collecting this data in other countries in which such training sessions are provided including China, Mexico, the US, etc.

- Efficient interventions management is ensured through **a centralized dispatching team**, where the company leverages its proprietary dispatching software for service assignments falling within or outside warranty periods.
- The **Field Service** team, comprising a team of 120 technicians, is dedicated to the execution of service orders. Rigorous training programs aim to swift and effective order completion, with a first-time-fix-rate of more than 85%
- In pursuit of continuous improvement, the **WOLF Service** pushes the development of modern processes and digital tools like a centralized knowledge base and a high class service management platform. As a target picture, WOLF is dedicated to enhancing and optimizing service delivery, ensuring that Wolf consistently meets and exceed the expectations of its clientele.

ELCO's tech days: ELCO carries out **seminars that bring together industry players** (architects, planners, legislators and stakeholders) to **raise awareness on the energy transition and products deploying renewable energy sources**. The initiative this year took place in Berlin, Munich and Frankfurt. The targeted audience includes approximately 100 Service Engineers per event, with guest speakers from the **Fraunhofer Institute for Solar Energy Systems ISE**, from the **legislative context** and **leading architects**, who have presented solutions already on the market that act as showcases for achieving the no emissions targets in the EU by 2050.

ELCO investments in a new field service solutions and in training: ELCO service engineers have **transitioned to a state of-the-art and fully integrated support system**. This transition not only enhances their work capabilities, but also sets the foundation for further optimisation. The replacement project encompassed an extensive **training program** designed to equip ELCO service technicians with the necessary skills to maximise the benefits of the new system.
In ELCO's key service markets such as Switzerland, Germany and Denmark, a significant number of service engineers are undergoing **specialised training to either acquire new skills or enhance their existing ones in the maintenance of renewable energy products**. In Switzerland and Germany alone, the Group has provided more than 10,000 hours of training overall.

This training is particularly beneficial for service engineers who were previously experts in servicing fossil fuel-based heating generators, as it equips them with the ability to service renewable energy products, thereby not only expanding their expertise, but also enhancing their career advancement prospects. At the same time, **digital tools** play a pivotal role in the customers' support.

ELCO remote assistance: In Denmark, where the Group operates with the Gastech-Energi brand, and Switzerland, a **remote technical support** unit has been established to assists clients facing heating system problems, reducing the need to dispatch service engineers to the customer's location. This approach significantly reduces travel-related emissions.

In 2023 ELCO has also been testing a distributed **remote monitoring approach**, through which service engineers can perform a first check remotely. These tests are in progress in Switzerland and Germany, further reducing unnecessary travel and providing customers with a better service. In parallel, ELCO is working on a Planning Automation project in the DACH area (Germany, Austria and Switzerland) and in Belgium, which will increase the **automation of the planning and dispatching processes.** This will allow for route optimisation, leading to reduced travel and a **progressive transition to digital communication models**.

Focus on end customers: listening, engaging and supporting

While the Ariston Brand Health assessments, conducted bi-annually, represent the ultimate listening activity with respect to end consumers, Ariston Net is the tool that enables interaction with them, fostering engagement and support. The latter is a smart app, specifically designed to engage customers in easily and remotely managing their thermal comfort solutions by controlling heating and hot water temperatures, setting a schedule, changing the operation mode, and receiving real-time notifications in case of system failures.

Dedicated call centers are an example of excellence when it comes to support activities: they ensure fast and personalised support. Among the **more than 300,000 incoming calls managed** in its European call centre in 2023, the **average response rate was 96%,** with a **16 second average wait rate.** Operators are mostly native speakers or have a minimum C1 level of language proficiency.

Understanding the end-customers' expectations enable the Group to develop and enhance their processes. For instance, they can concentrate on **training protocols** for call centre agents, technicians and warehouse staff that handle spare parts so that everyone works together and consistently positions the needs of customers at the centre.

Customers: Trustworthy quality excellence

The ambition to 2030

2030	Long-term target > 85 Quality score per year in the cumulative Group Quality Excellence Index (GQE)	Progress in 2023 85%	Status WIP
	Mid-term supporting initiatives	Progress in 2023	Status
2025	Quality Mission to be declined into a Quality Strategy Establish and roll out a Quality Roadmap Program to operatively execute the necessary improvement initiatives according to the Quality Strategy	Products and systems: · New Product Introduction (NPI) · Validation test protocols enhancement • Services: Expert Service and platform implementation • Customer care: measuring the customer experience • Mindset and awareness: quality culture enhancement (training and engagement) • Drive by data: new data platform development	WIP

2023 milestones

Quality Improvement Management: The **Quality Management System** of Ariston Group was originated in 1993, implemented in accordance with ISO 9001 edition 1987, and initially certificated by CSQ-IMQ, in response to the need expressed by the executive directors to standardize business processes and to enable a process of continuous improvement. In subsequent years, the Quality Management System has been constantly kept updated as per the evolution of the **ISO 9001 standard**. Today Ariston Group has a global Corporate certificate issued by BSI and several site's certificates issued by local certification bodies.

The **Group Quality policy** is communicated by the executive directors and exhibits the following characteristics:

- alignment with the Group's context, organization, resources, goals and strategy;
- suitability for establishing Quality objectives;
- incorporation of statutory and regulatory requirements, along with customer expectations;
- integration of the commitment to the continuous improvement of the Quality Management System and business processes.

Concerning the products, the Group has an internal department which manages all product standards to ensure compliance with regulations, laws, directives, statutory and regulatory requirements and so on. The Ariston Group's products not only meet the minimum CE marking requirement but also carry additional markings due to voluntary participation in safety testing programs. These programs include

- product verifications at each stage of production with 100% end-of-line checks;
- product samplings to verify and monitor safety, performance and chemical risks, leveraging in internal and external laboratories;
- compliance management for regulatory updates.

This applies to non-gas appliances as well, where the law does not mandate a third-party CE certificate but rather an EU Declaration of Conformity based on their technical documentation.

Furthermore, heating heat pumps (HHP) with R32 fall under the mandatory CE certification according to the Pressure Equipment Directive (PED), undergoing annual audits in both relevant plants (Wuxi and Albacina). For these HHPs, Ariston Group has also obtained voluntary marks (HP Keymark) through third-party verification, tests in accredited laboratories, factory audits and annual monitoring, covering both the product and the plant.

Quality Strategy: Whilst the Group's Quality Vision states that "We want our customers to be our best promoters", the Quality mission affirms that "We care about customers over time as our outmost priority, providing products and systems designed to fulfil their expectations of comfort and efficiency with best-in-class services". To pursue this mission, the Company defined a forward-looking strategy on:

- Products and systems: in order to be close to markets and customers with a comprehensive portfolio that meets end-users' needs, the development of a specific approach to define accurate solution specifications from the very beginning is key, as well as the deployment of dedicated practices for new technologies. Technical competencies and test protocols are continuously being enhanced with a focus on their harmonization. An updated New Product Introduction (NPI) process was defined and deployed within the organization.
- Service: ensuring sustained service excellence requires ongoing customer support with a focus on technical product knowledge and its entire lifecycle. Collaboration between the back-end and front-end operations is imperative in order to enhance responsiveness and maintain a customer-centric approach. 2023 saw the beginning of the Expert Service platform introduction to create a common knowledge base platform for service centres and unify the escalation process from the field.
- Customer care: Ariston Group's ambition is rooted in its commitment to ensuring long-term satisfaction throughout the entire customer journey. This involves maintaining a high level of service quality and a well-rounded product mix, while also preserving the installed customer base. In 2023, work has been carried out on an initiative aimed at measuring the customer experience, particularly focusing on product defects and service quality.
- Mindset and awareness: quality has always been an integral part of the Group's culture, but maintaining a constant level of improvement requires raising awareness on quality issues, providing it the attention it deserves, and using internal resources. Together with HR, the Quality department launched the Quality Journey initiative, designed to harmonise and enhance the company's quality culture and cascading it to all business levels. Starting in May 2023, a selection of e-learning trainings were introduced. These modules, handpicked by subject matter experts, were made accessible to all employees through the MyLearning Platform. The core objective of these e-learning modules was to impart fundamental knowledge related to tools, methodologies and quality principles such as Six Sigma, ISO 9000 and more. Moreover, tailored technical training activities will be made available for employees working in the Quality Department or in areas such as R&D, according to the skill gap mapped for each individual.
- Drive by data: a decision-making process based on solid data and IT system architecture is necessary to achieve a high-quality standard. The Group is working on developing a new data platform to ensure an improved, global and easy access to the full quality KPI set. Moreover, the growing number of connected products and consequently the access to a large amount of live data from the field is permitting a leverage to data science and AI techniques.

GOVERNANCE

The “Governance” chapter explains the structures, processes, and mechanisms that guide decision-making and ensure accountability within the organisation, also from a sustainability perspective. Effective leadership and ethical conduct provide the framework through which goals are defined, risks are managed, and resources are allocated.

Principal risk and its management

RISK: Inability to guarantee the correct coordination, control and management of the Group that could lead to impacts on the overall sustainability and ethical standing in doing business, managing operations and people

Governance – Policies and mitigation actions
- Code of Conduct and Code of Ethics - Antitrust Compliance Handbook - MOG Ariston Holding N.V. - MOG Ariston S.p.A. - Whistleblowing Procedure - ICT Security Model - Information Notice Candidates’ Personal Data - Connectivity - Privacy Notice - ICT Security Model - Information Notice Candidates’ Personal Data - Connectivity - Privacy Notice

Focus on Anti-Bribery and Corruption’s risk:

Ariston Group's growth strategy focuses on a continuous expansion within the existing geographical areas, as well as entering in new markets. The Group operates in emerging markets and in some countries, where the political situation, the geopolitical instability and the corruption are higher than in other geographies.

The Group promotes the adoption of the Code of Ethics as a best practice standard of business conduct by partners, suppliers, consultants, agents, dealers, and others with whom it has a long-term relationship. In 2023 the Code of Ethics (which was already translated in 22 languages including the main relevant within the Group and published in each web site of the group companies and in the Company intranet) has been updated to currently effective company names and contacts people. Moreover, the Group’s contracts around the world include specific clauses relating to the recognition and upholding of the principles underlying the Code of Ethics, as well as compliance with local regulations, particularly those related to corruption, money laundering, terrorism, and other crimes giving rise to liability for legal persons, leading to termination of the contracts in case of breach of the Code of Ethics by the counterparts.
Ariston Group monitors the effectiveness of, and compliance with, the Code of Ethics in accordance with whistleblowing management procedure. The Group Internal Audit, in the execution of its activities, bears into consideration the Code of Ethics’ values and obligations as part of the audit program.
In addition, it can count over the existing entity-level controls which contribute to mitigate corruption and bribery risk can happen, such as delegation of authorities and power of attorney, segregation of duties, 231 Organization and control model (for Italian Companies) and related training on 231 compliance; remuneration policy, accounting policies, internal audits on group legal entities, investigations performed as a result of Whistleblowing reporting, whistleblowing communication campaign, ERP and CRM systems.

Finally, process-entity controls are in place in procurement, production, inventory management, finance, human resources, research & development, marketing & sales, logistic and more generally in all the subprocesses which could generate a bribery and corruption risks.

Across the Group, employees receive proactive communications designed to distribute the Code of Ethics and the Organizational Model in accordance with Legislative Decree 231/2001, both of which cover anti-corruption measures. In 2023, 82% of White Collar employees (including Wolf-Brink) and 100% of White Collar employees (excluding Wolf-Brink) underwent training on Organizational Model in accordance with Legislative Decree 231/2001. This training also included a specific module on compliance with "Compliance 231" training provided to white-collar employees in the Italian operation.

As a result of all these risk management activities, in 2023, the Group recorded zero confirmed incidents of corruption.

Long-sighted sustainable governance

The ambition to 2030

	Long-term target	Progress in 2023	Status
2030	Ongoing yearly commitments developed to meet high governance standards on sustainability	- - Extension of BCP to non-European countries - - Training on GDPR, antitrust and 231	WIP
	Mid-term supporting initiatives	Progress in 2023	Status
2025	At least 50% female directors and at least 50% male directors among the executive directors of the Board by the end of 2028	New target	
	At least 33% female directors and at least 33% male directors among the non-executive directors of the Board by the end of 2025	30% female and 70% male	WIP
	Risk and Crisis Management enhancement	Special focus on ESG and Tax risks in ERM	WIP
	Code of Business Conduct continuous improvement: Code of Ethics, corruption and bribery, human rights	Training on GDPR, antitrust and 231	WIP
	Tax Strategy strengthening	Tax Control Framework approved in 2022	WIP

2023 milestones

The corporate governance model: on 26 November 2021 the Company's shares were admitted to listing on Euronext Milan. The listing on Euronext Milan further consolidated the Group's careful management approach to internal control, with a corporate governance model structured as follows:

General meeting: the Company's general meeting decides on the matters reserved for it under the law and the articles of association and is chaired by the Chair of the Board of the Company (the 'Board').

Board: the Company maintains a one-tier Board consisting of executive directors and non-executive directors. The executive directors are responsible for the day-to-day management of the Company. The non-executive directors supervise and advise the executive directors. The Board as a whole is responsible for the strategy and the management of the Company. See section: "5.3 Corporate governance" for further details.

Guaranteeing a diversely composed Board: See sections: "Diversity policy" and "Diversity of the Board and its committees" for further details.

ESG governance: The Ariston Group has defined a strong structure, currently composed of three functions that are fully dedicated to sustainability.

- The ESG committee supports the Board on (i) providing guidance to steer the strategy of the Group in terms of ESG vision and commitments; (ii) approving the Group's material topics and related ESG plan (targets, activities and KPIs); (iii) monitoring the ESG plan execution in terms of 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 Sustainability Culture in the Group; (vi) supervising the activities of listening, dialogue and involvement of stakeholders.
- The ESG Council is a cross-country and cross-functional roundtable between Global Executive Committee members and the ESG Director to discuss ESG challenges and develop the strategies needed to surmount them. The Council also includes the Executive Chair and the CEO.
- The ESG Director works with all the internal functions and external stakeholders to address the organisation's ESG responsibility to identify risks and opportunities as well as minimise negative actual and potential business impacts while maximising positive ones. The ESG Director communicates the ESG committee's aspirations as

well as stakeholders' expectations to the ESG Council and reports main results to the ESG committee. Main responsibilities also include developing and overseeing the overall execution, mission and effectiveness of the ESG strategy, defining and implementing ESG organisational policies, promoting an ESG culture across all levels of business, and preparing all the external reporting required by national and international regulations.

In accordance with the new Dutch corporate governance code, which entered into force for the financial year beginning on or after 1 January 2023, the audit committee has assumed duties and responsibilities regarding the supervision of the integrity and quality of the company's sustainability reporting.

231 organisational model: Ariston has adopted the Organisation and Management Model required of Italian companies under Legislative Decree 231/2001 to prevent the commission of crimes and unethical conduct. Ariston Holding N.V.'s Organisation and Management Model was updated by the Board at the meeting held on 16 December 2022. This version incorporates the organisational, regulatory, and corporate structural changes that occurred since the previous version in a consistent and harmonised manner. The model thus illustrates the general rules of conduct that all recipients must follow to prevent the commission of the updated list of crimes provided by Legislative Decree 231/2001, including all the crime descriptions included up to the date of adoption, since the Board decided to keep the Company fully compliant with Legislative Decree 231/2001, in terms of both the aspects of the Organisational Model and the appointment of the Supervisory Board, also after the redomicile of the Company in the Netherlands. Online training on the 231 model was provided to 663 white collar employees in 2023, meaning that almost all the relevant target population completed the training at Group Level-Italian perimeter through 2022 and 2023, for blue collar employees dedicated sessions have been organised. The Supervisory Body, appointed compliant to Italian Decree 231/2001, through 2023 monitored that the Organisational and Management Model is effectively implemented and updated and supervised its suitability to prevents crimes.

Whistleblowing system: EU Directive no. 2019/1937 requires all Member States to fully regulate whistleblowing procedures and to provide whistleblowers with effective channels to confidentially report unethical behaviour and wrongdoing, establishing a robust system of protection against retaliation.

In compliance with the new legislation, the Group has implemented a new whistleblowing platform, available for the entire Group, including all the subsidiaries, as well as for both internal employees and external third parties. The platform has been deployed using a third-party web-based solution, accessible at any time by potential whistleblowers and assuring the highest level of integrity and confidentiality.

The Group has adopted a whistleblowing policy that strengthens its commitment to whistleblowers, in particular clarifying that retaliatory actions are not tolerated and would be prosecuted.

Furthermore, the existing whistleblowing procedure has been updated to align with the new legal requirements and the implementation of the new platform.

The internal whistleblowing committee, composed of the Head of Internal Audit and Chief People Officer, is accountable for managing the whistleblowing process, defining the need to proceed with an investigation, evaluating with management the identification of action plans and/or the application of sanctions or penalties. During or before starting the investigation the whistleblowing committee is in charge of interacting with the whistleblower and providing them with feedback about the case developments.

A whistleblowing communication campaign, for both white and blue-collar employees, was launched at the beginning of 2024, on a global scale. The primary objectives include enhancing awareness and the Group's commitment to safeguarding whistleblowers from retaliation or discrimination. The campaign aims to promote a culture of openness and accountability, encouraging employees to confidently report unethical behaviour and wrongdoing through the whistleblowing platform.

Antitrust Regulation: The Group runs its business fully compliant with **competition rules and their foundational principles of merit**, **fairness, and loyalty**. The Group requires all employees worldwide to maintain conduct that is fully consistent with the provisions of national and international antitrust laws and regulations, in compliance with the Group's **Code of Conduct** and the **Antitrust Vademecum** which form an integral part of the Group's **Code of Ethics**. The Group's organisational model makes it possible to promptly verify compliance with the relevant EU regulations. Since 2018, the Group has performed a thorough assessment and refreshed its antitrust programme, including a dedicated manual and guidelines, and is offering online training to all employees in order to raise awareness about applicable laws and the relevant principles. In 2023, the Group launched and performed an overall assessment of its antitrust compliance program, with the aim of strengthening people's awareness and knowledge of antitrust rules, identifying the main points to focus on from an antitrust perspective and spreading an antitrust compliance culture within the Group; a set of updated documents was made available on the Group website, an antitrust vademecum and antitrust manual. In 2023, a new and updated training online tool was implemented, to ensure acknowledgement of rules and legal provisions and awareness of correct behaviour, compliant with competition rules, available to all Group employees. At Group level, 2,034 selected employees have been given the online training; the target population is going to complete the antitrust online training. During 2023 all the antitrust documents were translated into all the main languages of the Group and made available on the website for worldwide consultation, Wolf Group included.

Anti-Money Laundering and Trade Compliance: In 2019, the Company adopted an organisational model that makes it possible to ensure the Group's compliance with **Anti-Money Laundering** (AML) and **International Trade Compliance** regulations at national, European, and international level. Noteworthy among them are the **Office of Foreign Assets Control (OFAC)** Regulations of the United States and the specific Regulations adopted by the European Union with respect to sanctions and restrictions against certain countries and entities as well as to dual use, including **Regulation 428/2009**. The main tool adopted by the Company to this end is the Trade Compliance Manual, which lists the various measures in place to prevent conduct contrary to Trade Compliance regulations. These consist of specific conduct procedures that involve several checks and reviews throughout the performance of sensitive business operations.

In 2023, the Trade Compliance Manual was updated with a specific procedure to increase the level of control over divergent payers and on the screening of clients, employees and suppliers, improving the protection against risks of breaching worldwide trade compliance rules. Specific training dedicated to the changes has been provided, for the benefit of all the Trade Compliance Manual users at Group level.

In 2023, the Group acquired **software dedicated to running individual and collective checks** on employees, customers, and suppliers as well as **conducting specific investigations** where required. The new tool allowed greater possibility to carry out inquiries, allowing the screening of 60,000 counterparts and 100 second-level checks of ultimate beneficial ownerships which can be conducted by the Company itself; the implementation of the new tool is ongoing. All such measures are referenced in the Code of Ethics, of which they form an integral part. Twice a year, the Group, through a tool managed by an external supplier, conducts a general **review of 10,000 counterparties** (including suppliers, customers and employees), with respect to those located in so-called sensitive countries, to identify any person or entity sanctioned under OFAC, UN and EU lists. The Group analyses the findings and, if necessary, asks an external advisor to perform additional due diligence, halting transactions where required. This process is repeated also before beginning a new business relationship in a sensitive region. In 2023, the Company asked the external professional advisor for 12 further deeper analyses on clients and suppliers whose outputs from the tool were not satisfactory.

As for this last item, subsequent to the approval of EU Regulation 2022/336 on 28 February 2022 following the invasion of Ukraine by Russia and consequent EU sanctions against Russia and subsequent updates of this regulation during 2022 and 2023, the Company monitored the situation through all the following EU Regulations, up to the twelfth package of restrictive measures against Russia adopted with Regulation (EU) 2023/2878 and 2023/2873, and related execution rules 2023/2875, dated 18 December 2023. The EU sanctions potentially affecting the Company are "subjective", if addressed to banned persons, or "objective" if addressed to banned products.

As far as objective restrictions, the Company engaged a law firm to screen its whole portfolio of products, with the following results: as regards the Burners division, most of the products manufactured are banned, and export towards Russia has been stopped. As far as Heating and Water Heating products, most products are banned (which were immediately stopped), with the exception of gas wall hung boilers; also components – mainly electronic components – are banned and were immediately stopped. As a consequence, export of finished products has not been stopped where allowed, instead components have been selected and only banned components have been stopped. Also some imported products are banned, and as a consequence stopped. As for spare parts, some components were banned, and these have been stopped. Through 2023 all these analyses from the external consultant were kept updated through new rules, FAQ and interpretations. As for "subjective" restrictions, all clients, employees and suppliers have been screened as compliant with the updated Trade Compliance Manual, and no banned persons were found. If the individuals are confirmed as banned, the Company stops dealing with them. The functional structure of the Company has been analysed as regards potential crime liability and the consultant's updated output is that the Company is currently managing the framework of relations with involved parties in compliance with the laws and regulations currently in force.

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

Tax Group Strategy: The Group is equipped with a Tax Strategy that outlines a common approach to tax and clear management roles and responsibilities with the main purpose of guaranteeing:

- Tax compliance: to ensure compliance with all applicable laws and regulations and to pay its fair share of taxes in a timely and responsible manner in all jurisdictions where it operates.
- Tax risk management: to integrate effective risk management into the Group's governance system to protect the Company's value over time.
- Tax transparency: to work collaboratively with tax authorities and foster trust, loyalty, and fairness.

Furthermore, the Group implemented a Tax Control Framework (TCF) that sets out to increase transparency and contribute to the economic and social well-being of the Company. Said framework equally makes it possible to manage and mitigate tax risks, the monitoring of which is enabled by the Tax Risk and Controls Matrix of Ariston S.p.A. First applied to Ariston S.p.A. and Italian companies, the TCF is then applied to other companies within the Group operating in other countries. 2023 saw the identification of potential tax risks with an impact on the Group and the introduction of appropriate controls to intercept their presence and mitigate their effects. The governance of the TCF is regulated in the Tax Compliance Model (TCM) which defines the roles and responsibilities in the management of the tax variable and the execution of monitoring activities of the processes prepared to mitigate tax risk, entrusted to the Tax Risk Officer (TRO).

Business Continuity Plan (BCP): In line with the Dutch corporate governance code, which requires a company's management to be responsible for the operational continuity of its business, the Ariston Group has significantly expanded on this commitment to further enhance its strategic and business risk management and control systems. Indeed, 2023 saw an extension of the Business Continuity Plans (BCPs).

The BCP serves as a pivotal tool for the annual identification, measurement, monitoring, and verification of risks to the company's operational continuity. The BCP program provides an annual review and maintenance of the BCPs made in each plant. These risks range from extreme natural events, raw material shortages, and cyberattacks. The BCP equips the Group for various disruptions and outlines precise procedures for responding, recovering, and restoring activities post-interruption. Prior to said implementation, each plant managed its Operational Continuity Plan (OCP) independently, conducting risk assessments and establishing emergency plans for supply chain continuity. Therefore, the BCP documentation provides alternative solutions, serving as a comprehensive guide tailored to each plant.

Following the successful implementation of five Italian pilot plants, in 2023 the program underwent a substantial expansion, encompassing an additional ten plants across Asia, America, and Africa. Said extension is aimed at fostering continuous improvement and ensuring the ongoing relevance of risk assessments. The objective is to dynamically adapt to potential business risks, directing company resources efficiently and reactively, while maintaining a preventative stance to eliminate or mitigate risks, where possible.

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

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

- Context Analysis, to determine the external and internal factors relevant to the organisation's aims and which influence its ability to achieve the HSE Management System goals, but also the needs and expectations of interested parties.

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

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

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

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

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

ESG Data Management: In a dynamic ESG regulatory landscape, **effective data management plays a pivotal role in shaping an organisation's sustainability transparency**. Against this background, the Ariston Group is actively engaged in the realm of **ESG data management and collection**. In 2023, an assessment aimed at delineating areas where data collection proves to be most challenging was conducted. This comprehensive evaluation identified the domains of circularity and traceability as focus areas for ESG data mapping and observation.

The Group’s strategy builds on foundational assessments to establish a structured approach for data management and aims to enhance governance and processes, while implementing *ad hoc* tools. Ongoing efforts involve analysing diverse sustainability datasets, mapping data flows, and identifying the correct data owners and tools **to enhance data quality and streamline data collection.** This approach will be followed for various ESG areas where a strong need for data collection has been identified, which, to date, remains highly specific and, therefore, not easily or immediately integrable into current platforms.

The Group wins the EcoVadis Bronze medal: In 2023 the Ariston Group was awarded the **Bronze Medal from EcoVadis** for its ESG performance throughout 2022. Ranked on a scale from 0 to 100, the rating reflects the quality of the company’s sustainability management system measured across four main categories, i.e. environment, labour and human rights, ethics as well as sustainable procurement. More specifically, the Group secured a score of 58/100, positioning at the higher end of the bronze medal band and in the 68th percentile if compared to other companies' scores. The rating, now visible to analysts and investors, not only reflects the Group's dedication to environmental, social, and ethical considerations but also underscores its position as a responsible corporate company, positively contributing to global sustainability objectives and always focussed on continuous improvement.

An ever-evolving cybersecurity approach: The Group is working towards an ICT Security Model, based on a predictive, preventative, and proactive strategy. This involves analysing past and current events to gain insights and prevent unknown threats, as well as empowering and training employees to minimise risks. Over recent years, the Ariston Group has focused on building a robust and resilient cyber defence mechanism, equipping its ICT Security Team with the tools and strategies necessary to safeguard against a wide range of threats. The team has identified and implemented the most effective security controls, while also providing support for incident investigation and recovery. Furthermore, the Group is dedicated to empowering its global workforce with the knowledge and tools they need to play an active role in preventing cyber threats. Security awareness training for top management is mandatory.

Furthermore, the Group is currently in the process of reassessing its ICT Governance, with a specific focus on reviewing the segment related to cybersecurity controls and those linked to the assignment of roles and the robustness of the ICT system. The final objective is to define an ICT Control Matrix and establish periodic control processes. Additionally, the Group is currently undergoing a review of the Managed Detection and Response (MDR) service provided by a third-party company operating 24/7, which monitors all events on the Security Data Lake[22]. This project, scheduled for the beginning of 2024, allows for the identification of possible malicious activities, emphasising continuous improvement to enhance cybersecurity measures.

[22] The Data Lake is a data storage and analysis platform that enables the collection, storage, and analysis of large amounts of data from various sources, including security logs, network traffic data, and more

5.3 Corporate Governance

Introduction

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

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

In this governance report the Company addresses its overall corporate governance and discloses any departure from the best practice provisions of the Dutch corporate governance code and the reasons for such departures. The Dutch corporate governance code was amended on 20 December 2022 and entered into force as for the financial year beginning on or after 1 January 2023.

The Netherlands is the Company's home member state for the purposes of the EU Transparency Directive (Directive 2004/109/EC, as amended).

Board

Composition and powers

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

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

On 2 January 2023, the resignation of Andrea Silvestri and Paolo Tanoni and the appointment of Guido Krass and Antonia Di Bella as non-executive directors of the Board became effective. In addition, Laurent Jacquemin resigned as executive director and Chief Executive Officer and was appointed as non-executive director of the Board at an extraordinary general meeting held on 27 July 2023. Maurizio Brusadelli was appointed as executive director by the general meeting on 27 July 2023 and as Chief Executive Officer by the Board on 3 August 2023.

As at 31 December 2023, the Board comprised the following directors:

Name **	Year of birth	Nationality	Gender	Position	Commit-tees	First appointment	End of term
Paolo Merloni	1968	Italian	M	Executive director (Executive Chair)	A*, D	10 June 2021	2024
Maurizio Brusadelli	1968	Italian	M	Executive director (Chief Executive Officer)		27 July 2023	2026
Antonia Di Bella	1965	Italian	F	Non-executive director (*independent*)	C	2 January 2023	2025
Roberto Guidetti	1963	Italian	M	Non-executive director (*independent*)	B*, D*	10 June 2022	2024
Laurent Jacquemin	1969	Belgian	M	Non-executive director		27 July 2023	2026
Guido Krass	1957	German	M	Non-executive director	A	2 January 2023	2025
Francesco Merloni	1925	Italian	M	Non-executive director		10 June 2021	2024
Maria Francesca Merloni	1963	Italian	F	Non-executive director		10 June 2021	2024

Lorenzo Pozza	1966	Italian	M	Non-executive director (*independent*)	C*	17 June 2021	2024
Ignazio Rocco di Torrepadula	1962	Italian	M	Non-executive director (*independent*)	B, C	10 June 2021	2024
Marinella Soldi	1966	Italian	F	Non-executive director (Lead Non-Executive Director) (*independent*)	B, D	10 June 2021	2024
Enrico Vita	1969	Italian	M	Non-executive director (*independent*)	A	10 June 2021	2024

* Committee chair
** Andrea Silvestri and Paolo Tanoni resigned with effective date 2 January 2023.

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

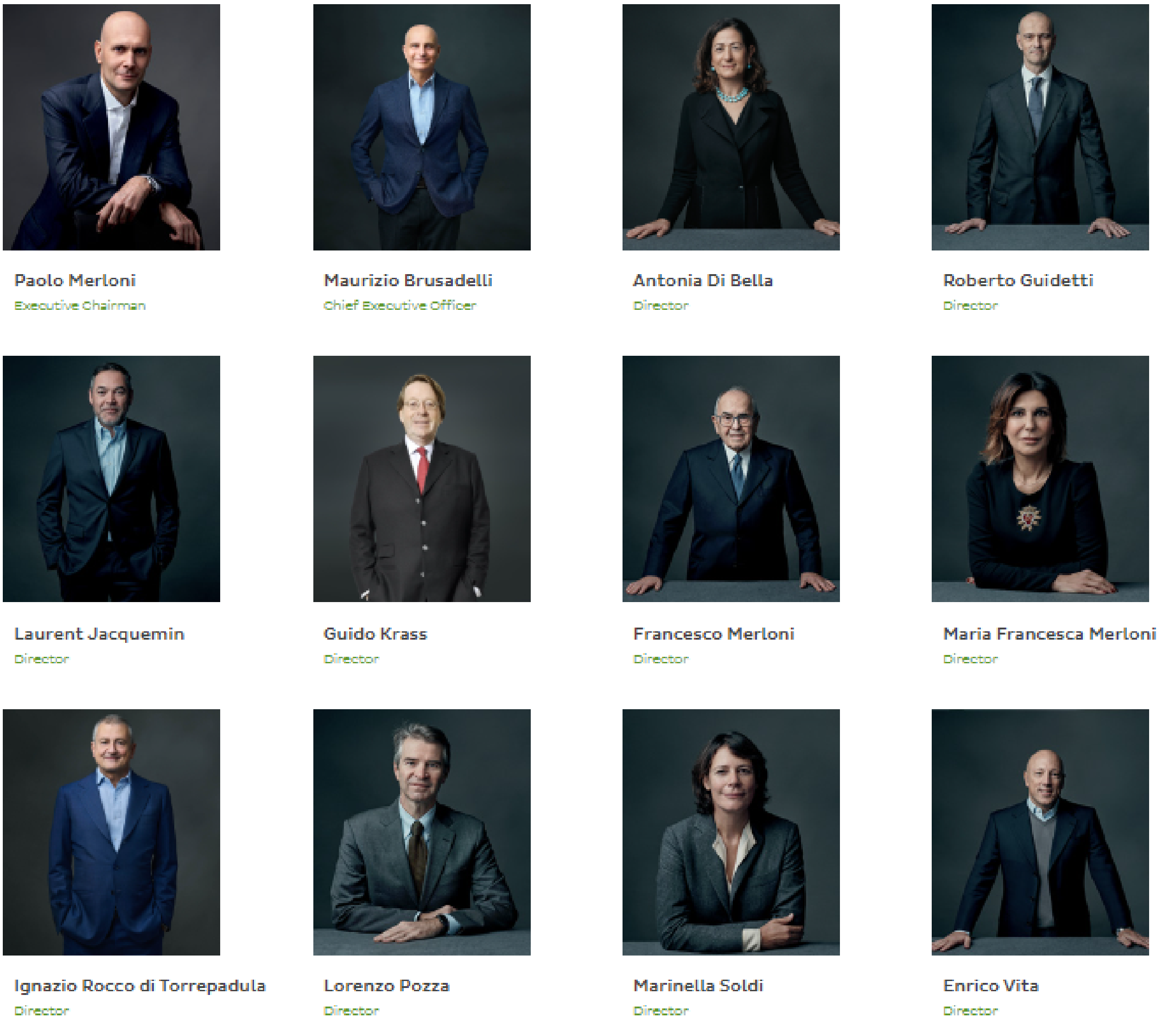


Figure 1: Board

Biographies of directors

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

Mr. Maurizio Brusadelli was appointed as executive director by the general meeting on 27 July 2023 and as Chief Executive Officer by the Board on 3 August 2023. He joined the Group after a 30-year career at Mondelēz International, one of the world's largest snack companies. He started in 1993 in Italy at Kraft Foods, covering different positions in marketing, sales and trade marketing. After being the Marketing Director for Italy, he moved to Zurich in 2006 as Category Director, Philadelphia Europe. In 2009 he moved to Spain as Vice President and Managing Director Iberia. In 2010 he became President Gum and Candy Category for Europe, and was appointed President of the UK, Ireland and Nordics operations in 2012. In 2014 he relocated to Singapore, to take on the role of President of Markets and Sales and Biscuits, and since 2016 served as Mondelēz International Executive Vice-President and President Asia-Pacific, Middle East and Africa. Maurizio holds a degree in Business and Economics from Bocconi University, Milan and is a chartered accountant. He is married and father to two sons. Having lived and worked in Italy, Switzerland, Spain, the UK and Singapore, he is fluent in Italian, English and Spanish.

Mrs. Antonia Di Bella is an independent non-executive director since 2 January 2023. Antonia is a professional with solid experience in Corporate Governance, Compliance, Accounting and Audit in complex and regulated environments. She is a Chartered Accountant and a Certified Auditor, as well as a Lecturer of "Accounting and Management in Insurance", at University Cattolica of Milan, Italy. She is a member of the Insurance Technical Commission at the OIC and a member of the Steering Committee at MIRM, Master in Insurance Risk Management in Trieste. She sits on the boards of listed and non-listed companies, including BNP Paribas Cardif Vita S.p.A., Interpump Group S.p.A., Italmobiliare S.p.A.. She spent her professional career first in the KPMG network, dealing with auditing the financial reports of insurance and reinsurance companies and of firms operating in the manufacturing sector and, between October 2007 and July 2015, she was the head of the insurance sector at Mazars S.p.A.

Mr. Roberto Guidetti is an independent non-executive director since 10 June 2021. Since 2013, Roberto has been Group CEO and Director of Vitasoy International Holdings ltd., a food and beverage company listed on the Hong Kong Stock Exchange. In March 2023, he became independent non-executive Director of the Board at Givaudan S.A., a flagrance and flavor company listed on the Swiss Stock Exchange. Over his career, he held positions in marketing and general management for the Procter & Gamble Company in Europe and China. He then served in the Coca-Cola Company in China, becoming 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.

Mr. Laurent Jacquemin is a non-executive director since 27 July 2023, after having been CEO of the Ariston Group, with thirty years of broad international experience. Laurent has been with the Group since 1991, holding various executive roles and increasingly important positions in the commercial, marketing and sales areas, in relevant regions including Europe and Asia. He became CEO in 2017, resigning from the position in 2023.

Mr. Guido Krass is a non-executive director since 2 January 2023. Since 1990, Guido is the Chairman – as founder and majority owner – of CENTROTEC SE, a company focused on energy-efficient building technologies that founded and acquired a portfolio of sustainable manufacturing companies in Germany and neighboring European countries. He also founded Pari Group, with a focus on global real estate and technology investments. In 2017, he co-founded the Milan-based One Ocean Foundation, which aims to develop solutions to ocean issues through ocean literacy, blue economy-related projects, and scientific research programs. At the beginning of his career, he worked in real estate development and private equity in Houston, Texas, and Munich, Germany.

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

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

Mr. Lorenzo Pozza is an independent non-executive director since 17 June 2021. Lorenzo is a chartered statutory auditor. He has served as a director at Angel Capital Management S.p.A. and Amplifon S.p.A. and has been member of the board of statutory auditors of Italian companies Assicurazioni Generali, Telecom Italia, Terna and Edison. He was awarded an honorable mention from the Boston association Family Firm Institute for best article in the Family Business Review and a Research Excellence Award from the rector of Bocconi University in Milan, Italy.

Mr. Ignazio Rocco di Torrepadula is an independent non-executive director since 24 May 2021. Ignazio has been the founder and CEO of Credimi S.p.A., a digital lending platform for SMEs. He is also Senior Advisor at Tikehau Capital, a pan-European Asset Management group, focusing on Private Markets. He is a director of ReVo Insurance, leading insurtech provider of specialty lines for MEs. He has more than 25 years of experience in the financial services sector, having worked with The Boston Consulting Group, where he led of the Financial Institutions' practice in Central Europe, and formerly in the corporate banking and investment banking industries.

Mrs. Marinella Soldi is the independent lead non-executive director, appointed on 10 June 2021. Marinella is currently an independent director of Nexi S.p.A. In July 2021, she was appointed Chairwoman of RAI and, in September 2023, non-executive Independent Director of the BBC – British Broadcasting Corporation. Throughout her career she held managerial posts at Mckinsey & Company, MTV Networks Europe and Discovery Networks International.

Mr. Enrico Vita is an independent non-executive director since 10 June 2021. Since 2014, Enrico has been working in Amplifon Group, where he joined as Executive Vice-President EMEA, to be appointed as Group Chief Executive Officer in October 2015. During his career, he worked at the Italian manufacturing company Indesit, holding positions with increasing responsibility both in Italy and abroad and also serving as Chief Operating Officer with responsibility for commercial, marketing and consumer after-sales services.

Appointment, suspension and dismissal of directors

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

The articles of association provide that a director may be suspended or dismissed by the general meeting at any time. In addition, an executive director may be suspended by the Board at any time. A resolution of the Board to suspend the Executive 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. A resolution of the general meeting to suspend or dismiss a director, other than on the proposal of the Board, requires a majority of the votes cast representing more than half of the issued share capital of the Company.

Board rules

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

In 2023, the Board updated the Board rules to comply with the new Dutch corporate governance code, which entered into force as for the financial year beginning on or after 1 January 2023. The most significant amendments to the Dutch corporate governance code relate to sustainable long-term value creation, the role of stakeholders and diversity and inclusion. In addition, the rotation plan and board profile were linked to the non-executive directors only, in line with the Dutch corporate governance code.

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

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

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

Indemnification

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

There shall, however, be no entitlement to reimbursement and any person concerned will have to repay the reimbursed amount if and to the extent that: (i) a Dutch court, or in the case of arbitration, an arbitrator, has established in a final and conclusive decision that the act or failure to act of the person concerned may be characterized 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 insurance and the insurer has paid out the costs or financial loss.

Conflicts of interest

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

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

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

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

Related party transactions

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

In 2023 all directors were asked to fill out a questionnaire to report on all related party transactions they were aware of. All directors filled out this questionnaire. The details following from this questionnaire were included in a report on related party transactions. The report contains, with regard to the transactions entered into by the Ariston Group, a list of the parties involved and the details of ongoing related party transactions.

The acquisition in January 2023 of CENTROTEC Climate Systems GmbH, specifically Wolf GmbH, from CENTROTEC SE led to a substantial number of additional related party transactions, as all the CENTROTEC SE controlled companies became statutory related parties of the Ariston Group following the acquisition. The review of all these new related party transactions required extensive work to analyse the terms and conditions of these transactions. For most of these related party transactions, third party transaction prices are charged on to the Ariston Group and only a few of these transactions require further analysis.

No Code Related Party Transactions (as defined in the related party transactions policy) were entered into in the relevant period. The related party transactions report was discussed among the independent non-executive directors and approved, with no significant findings.

Board committees

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

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

The audit committee and the compensation and talent development committee consist of non-executive directors. The strategic committee and the ESG committee each consist of three executive and non-executive directors and Andrea Guerra, Chief Executive Officer of Prada S.p.A., is also a member of the strategic committee.

As a result of the appointment and resignation of non-executive directors as per 2 January 2023 following the acquisition of CENTROTEC Climate Systems GmbH, the composition of the audit committee, compensation and talent development committee and strategic committee changed on that date. The composition of these committees set out below is therefore the composition as of 2 January 2023.

In 2023, the Board updated the rules of the audit committee, compensation and talent development committee and ESG committee to comply with the new Dutch corporate governance code, which entered into force as for the financial year beginning on or after 1 January 2023.

Audit committee
- Lorenzo Pozza (chair)
- Antonia Di Bella
- Ignazio Rocco di Torrepadula

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 and sustainability 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.

As a result of the appointment and resignation of non-executive directors as per 2 January 2023 following the acquisition of CENTROTEC Climate Systems GmbH, the composition of the audit committee changed on 2 January 2023. Since then, the members of the audit committee are Lorenzo Pozza (chair), Antonia Di Bella (member) and Ignazio Rocco di Torrepadula (member). All members of the audit committee are independent withing the meaning of the Dutch Corporate Governance Code and are all financial experts.

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

In 2023, the audit committee met 12 times. At these meetings several matters were discussed. The main issues were related to:

- Audit committee planning, meeting memoranda and reporting to Board
- The internal audit activities and results, as well as the process enhancement implemented, including the approval of the updated Audit Charter
- The compliance with the EU whistleblowing law 1937/2019 and adoption of a new whistleblowing policy, procedure and platform
- The ERM activities and results over 2023 risk monitoring and 2024 risk assessment approach, including the ERM process & methodology enhancement implemented
- The performance and independence of the external auditors through the analysis of audit approaches, plans and results, ratio between additional services over audit fees
- The mandate of the External Auditor for the period 2025-2027
- The financial reporting process and periodical updates with regard to the new Finance model, the financial and economic situation of the Group, the impairment test methodology and the results according to its application
- The tax Strategy and the related tax control framework
- ICT and cyber security risks in the SOD (segregation on duty) project related to SAP user profiles;
- The BCP (business continuity plan) project

Compensation and talent development committee

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

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 Ariston Group. The Board has combined the functions and the responsibilities of the remuneration committee and the selection and appointment committee in the compensation and talent development committee. The Company feels that there would be no benefits for the Company, given its size and its organisational structure, in splitting the compensation and talent development committee as prescribed under the Dutch corporate governance code.

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

In 2023 the compensation and talent development committee met 4 times (of which one as an extraordinary committee). At these meetings several matters were discussed, including:

- planning of topics for the compensation and talent development committee;
- training requirements for executive and non-executive directors;
- changes to the Board composition and change to the Board committees as a result thereof;
- succession planning and talent development;
- organisational evolution;
- 2020 long-term incentive plan vesting ;
- 2023 long-term incentive plan;
- short-term incentive scheme and executive directors' remuneration:
    a. MBO 2022: review of performance against targets;
    b. MBO 2023: proposal of targets and ranges;
    c. executive directors' remuneration 2023
- HR Roadmap
- New Performance Management and STI; and
- Governance documents (Compensation and Talent Development rules, Remuneration Policy, Diversity and Inclusion policy).

Strategic committee

- Paolo Merloni (chair)
- Guido Krass
- Andrea Guerra (Chief Executive Officer of Prada S.p.A.)
- Enrico Vita

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

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

During 2023, the strategic committee met twice. At these meetings several matters were discussed, including:

- The evolution of the Go-to-Market in the HVAC industry, and its implications for Ariston Group especially in Europe
- The progresses in the integration of Wolf & Brink in the Group (synergies, organisational evolution, cultural journey)
- The analysis of the M&A strategy and potential;
- The review of Ariston Group's mid-term strategy;
- The assessment of a specific business development potential primarily in Europe, via a dedicated strategy partnership

ESG committee

- Roberto Guidetti (chair)
- Paolo Merloni
- Marinella Soldi

The ESG committee is charged in particular with supporting the Board as regards: (i) providing guidance to steer the strategy of the Ariston Group in terms of its ESG vision and commitments; (ii) approving the Ariston Group's materiality matrix along with the ESG plan (targets, activities and KPIs) the Ariston 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 Ariston 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 Ariston Group; (vi) supervising the activities of listening, dialogue and involvement of stakeholders.

During 2023, the ESG committee met twice, together with the ESG function, to discuss several topics which included:

- the launch of the 2030 ESG plan ("Road to 100") in 2024;
- priority initiatives, resourcing plan, governance and budget related to the 2030 ESG plan;
- the evolution of the reporting commitments (GRI and EU Taxonomy);
- the impact of new acquisitions; and
- the growing regulatory framework.

Also, a specific focus on the decarbonisation strategy was included in the agenda. The ESG committee updated the full Board on these matters and the Board discussed the long-term strategy, the implementation thereof and the principal risks on several occasions. For further details on the Company's approach to sustainable long-term value creation, the Company's ESG strategy and objectives and the principal risks related thereto, please see paragraph "5.2 Non-Financial Disclosure".

Attendance at meetings

During 2023, there were five meetings of the Board and two written resolutions adopted without holding a meeting. On 2 January 2023, the resignation of Andrea Silvestri and Paolo Tanoni and the appointment of Guido Krass and Antonia Di Bella as non-executive directors of the Board became effective. In addition, Laurent Jacquemin resigned as executive director and Chief Executive Officer and was appointed as non-executive director of the Board at an extraordinary general meeting held on 27 July 2023. Maurizio Brusadelli was appointed as executive director by the general meeting on 27 July 2023 and as Chief Executive Officer by the Board on 3 August 2023.

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

Name	Board	In %	Audit committee	In %	Compensation and talent development committee	In %	Strategic committee	In %	ESG committee	In %
Paolo Merloni	5/5	100%					2/2	100%	2/2	100%
Maurizio Brusadelli	3/3	100%								
Antonia Di Bella	5/5	100%	11/11	100%						
Roberto Guidetti	5/5	100%			4/4	100%			2/2	100%
Laurent Jacquemin	5/5	100%								
Guido Krass	5/5	100%					1/2	50%		
Francesco Merloni	5/5	100%								
Maria Francesca Merloni	4/5	80%								
Lorenzo Pozza	5/5	100%	11/11	100%						
Ignazio Rocco di Torrepadula	5/5	100%	11/11	100%	4/4	100%				
Marinella Soldi	5/5	100%			4/4	100%			2/2	100%
Enrico Vita	6/6	100%					2/2	100%		

Independence of the non-executive directors

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

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

The Company deviates from best practice provision 2.1.7(i) which provides that at most one non-executive director does not have to meet the independence criteria as set out in best practice provision 2.1.8, sections i. to v. inclusive, the Dutch corporate governance code. In 2023, three non-executive directors were not independent in accordance with best practice provision 2.1.8, sections i. to v. inclusive: Francesco Merloni and Maria Francesca Merloni for being a relative by blood within the second decree of the Executive Chair Paolo Merloni, and Laurent Jacquemin (since 27 July 2023) for having been an executive director of the Company in the five years prior to his appointment as non-executive director.

Diversity policy

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

Pursuant to the Dutch Act on gender diversity, which entered into force on 1 January 2022, the Company has to set appropriate and ambitious gender diversity target figures for the executive directors and non-executive directors within the Board and senior management and draw up a plan to achieve these targets. In this context, 'appropriate' means that the targets depend on the number of executive directors and non-executive directors within the Board and management, and on the existing ratio between men and women. The targets for the Board can differ from the targets for management. In this context 'ambitious' means that the targets should aim to make the male-female ratio more balanced than the existing composition. In addition, the Company has to report on this to the Dutch Social and Economic Council (*Sociaal Economische Raad*) on an annual basis, within ten months after the end of the financial year.

Pursuant to the new Dutch corporate governance code, which entered into force as for the financial year beginning on or after 1 January 2023, companies should also set specific, appropriate and ambitious targets for other diversity and inclusion aspects of relevance to the company than gender.

On 7 November 2023 the Board resolved to adopt, upon proposal of the compensation and talent development committee, an updated diversity and inclusion (D&I) policy of the Board and management. This policy, starting from the analysis of the current composition of the Board and management, defines the guidelines by which the Company will maintain an adequate level of diversity of the Board and management (for this purpose defined as employees managing teams of people), addresses the concrete targets relating to diversity within the Company and the commitment to report annually on the results achieved.

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

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

The targets proposed by the compensation and talent development committee and approved by the Board on 7 November 2023 are the following:

- the executive directors of the Board should comprise at least 50% female directors and at least 50% male directors by the end of 2028;
- the non-executive directors of the Board should comprise at least 33% female directors and at least 33% male directors by the end of 2025;
- management should consist of at least 30% female employees and at least 30% male employees by the end of 2030; and
- creating and fostering a working environment that respects and appreciates all ways of thinking, where everyone feels welcomed, respected and valued, and especially striving towards having a due and fair representation of different ages and nationalities within the non-executive directors and management, and in general within the Company.

The composition as at 31 December 2023 was no (0%) women and 2 (100%) men for the executive directors, three (30%) women and seven (70%) men for the non-executive directors and 304 (22%) women and 1102 (78%) men for management (24% women and 76% men excluding Wolf & Brink, the business acquired in 2023).

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

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

Diversity of the Board and its committees

The tables below show the gender and age group of the members of the Board, the non-executive directors and the committees as at 31 December 2023.

	Gender			
	Male	Numbers	Female	Numbers
Board	75%	9	25%	3
Executive directors	100%	2	0%	0
Non-executive directors	70%	7	30%	3
Audit committee	67%	2	33%	1
Compensation and talent development committee	67%	2	33%	1
Strategic committee	100%	3	0%	0
ESG committee	67%	2	33%	1

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

Share capital and general meeting

Share capital

The articles of association of the Company were amended on 19 December 2022. Since then, the authorised share capital of the Company comprises 600,000,000 ordinary shares and 50,000,000 non-listed ordinary shares, each with a nominal value of €0.01, and 420,000,000 multiple voting shares, each with a nominal value of €0.20. See section "Disclosures pursuant to decree article 10 EU-Directive on takeovers" for further details on the Company's issued share capital as at 31 December 2023.

Meetings of shareholders

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

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

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

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

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

Shareholders holding at least 3% of the Company's issued and outstanding share capital may request, by a motivated request, that an item is added to the agenda. Such requests must be made in writing, must either be substantiated or include a proposal for a resolution, and must be received by the Executive 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 is adopted unanimously during a meeting where the entire issued capital of the Company is present or represented).

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

Voting rights and adoption of resolutions

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

- the Voting Threshold; and

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

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

Profit rights

Each issued and outstanding share ranks equally with, and will be eligible for any dividends that may be declared on, all other 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.

Issuance of shares

The Board is the competent body to issue shares for a period of five years from 19 December 2022 and this authorisation can be withdrawn by the general meeting. This competence concerns all non-issued shares of the Company's authorised capital from time to time.

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

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

Pre-emptive rights

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

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

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

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

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

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

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

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

Major shareholders

As at 31 December 2023, the voting rights attached to the issued shares in the capital of the Company held by Merloni Holding S.p.A. represented 73.64%, by Amaranta S.r.l. represented 18.60% and by CENTROTEC SE represented 2.61%. The market was entitled to 5.15% of the voting rights. As at 31 December 2023, the Company held 2,237,346 shares in its own capital. Pursuant to Dutch law, as a general rule, no votes may be cast at a general meeting in respect of shares which are held by the Company.

As at 31 December 2023, the number of shares held by Merloni Holding S.p.A. represented 58.38%, held by CENTROTEC SE represented 11.12%, held by Amaranta S.r.l. represented 7.96% and held by the market represented 21.95% of the total number of issued shares.

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

Merloni Holding S.p.A. is controlled by Paolo Merloni, who is the Executive Chair of the Company, and Amaranta S.r.l. is controlled by Maria Francesca Merloni, who is a non-executive director of the Company. Paolo Merloni and Maria Francesca Merloni are siblings. CENTROTEC SE is controlled by Guido Krass, who is a non-executive director of the Company. As directors, Paolo Merloni, Maria Francesca Merloni and Guido Krass 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, Maria Francesca Merloni and Guido Krass are entitled to direct the vote of their shares in their own interests, which may not always be in the interests of the Company's stakeholders generally.

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

Compliance with the Dutch corporate governance code

The Dutch corporate governance code applies to the Company as the Company has its seat in the Netherlands and its ordinary shares are listed on Euronext Milan. The Dutch corporate governance code was amended on 20 December 2022 and entered into force as for the financial year beginning on or after 1 January 2023. The most significant amendments to the Dutch corporate governance code relate to sustainable long-term value creation, the role of stakeholders and diversity and inclusion.

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

As per 31 December 2023, the Company complies with the principles of the Dutch corporate governance code, except for the following principles of the Dutch corporate governance code:

- Best practice provision 2.1.7 (independent directors): the Company deviates from best practice provision 2.1.7(i) which provides that at most one non-executive director does not have to meet the independence criteria as set out in the Dutch corporate governance code. In 2023, three non-executive directors were not independent: Francesco Merloni and Maria Francesca Merloni for being a relative by blood within the second decree of the Executive Chair Paolo Merloni, and Laurent Jacquemin (since 27 July 2023) for having been an executive director of the Company in the five years prior to his appointment as non-executive director. It is believed, however, that the involvement of both Francesco Merloni and Maria Francesca Merloni proves the commitment of the Merloni family to participate in the Company with a spirit of homogeneity and compactness, in order to ensure continuity of control over the Company. It is believed that Laurent Jacquemin 's deep knowledge of the Company makes him a most valuable non-executive director.
- Best practice provisions 2.2.6 (evaluation by the supervisory board) and 2.2.7 (evaluation of the management board): the Company does not comply with best practice provisions 2.2.6 and 2.2.7, which provide that the Board should evaluate its own function, the functioning of the various committees of the Board and of the individual Board members at least once per year. The Board holds the view that a self-assessment does not provide any significant benefits, as it is not expected that Board members will be critical about their own functioning. The Board is also of the view that involving a third-party adviser will not change this and this would just generate a cost for the Company.
- Best practice provision 2.3.2 (establishment of committees): the Company does not comply with best practice provision 2.3.2, which provides that if the Board consists of more than four members, it shall appoint an audit committee, a remuneration committee and a selection and appointment committee. The Board has combined the functions and the responsibilities of the remuneration committee and the selection and appointment committee in one committee, the compensation and talent development committee. The Company feels that there would be no benefits for the Company, given its size and organisational structure, in splitting the compensation and talent development committee as prescribed under the Dutch corporate governance code.
- Principle 2.3.7 of the Dutch corporate governance code (vice-chairman of the Board): the Company does not comply with best practice provision 2.3.7, which provides that the vice-chairman of the Board should deputize for the Chair when the occasion arises. Pursuant to the articles of association, the Board may designate one or more other directors as vice-chairman of the Board. However, so far, the Company feels that there would be no benefits for the Company, given its size and organisational structure, in such an appointment.
- Best practice provision 3.1.2 v. (variable remuneration): the Company does not fully comply with best practice provision 3.1.2, as the unvested phantom stock options have been converted into restricted share units to which no performance metrics are applied. As the original phantom stock option plans were granted before the initial public offering of the Company, the Company elected to convert the outstanding unvested phantom stock options under the 2019 and 2020 plans into RSUs. The RSUs are intrinsically and functionally linked to the continuation of the beneficiary's relationship with the Company or its subsidiaries at vesting. The Company believes a conversion into RSUs was more appropriate given the nature of the existing plan. The converted RSUs partially vested in 2022 and the remainder vested in 2023 and the Company now complies with the specific best practice provision after the converted RSUs have vested. All restricted share units granted since 2022 are linked to performance conditions.

- Best practice provision 3.2.3 (severance payments): the Company does not comply with best practice provision 3.2.3, which provides that the remuneration of executive directors in the event of dismissal should not exceed one year's salary (the 'fixed' remuneration component). The employment agreement of the Executive Chair provides for the standard indemnity upon termination of the relationship as set out in the applicable collective bargaining agreement, the pay-out on which depends on the duration of the employment agreement and could be more than one year's salary. The management agreement of the chief executive officer provides that, upon termination by the Company and existing certain conditions, the chief executive officer is entitled to a one-off severance equal to an amount of up to two years of their remuneration as manager (net of any amount paid as non-compete obligation consideration). The Company wishes to respect the terms and conditions of the aforementioned agreements, since these agreements were entered into by the Company before the initial public offering of the Company.

Disclosures pursuant to decree article 10 EU-Directive on takeovers

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

a) At 31 December 2023, the issued share capital of the Company consisted of 125,505,005 ordinary shares and 22,095,194 non-listed ordinary shares with a nominal value of € 0.01 each, jointly representing 3.18% of the aggregate issued share capital, and 225,000,000 multiple voting shares with a nominal value of € 0.20 each, representing 96.82% of the aggregate issued share capital.

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

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

c) For information on participations in the capital of the Company for which a disclosure obligation exists under Sections 5:34, 5:35 and 5:43 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), please see "Major shareholders" in this Corporate Governance report. There you will find a list of shareholders who are known to the Company to have holdings of 3% or more at the stated date.

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

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

f) No restrictions apply to voting rights attached to the shares in the capital of the Company, nor are there any deadlines for exercising voting rights other than the restriction of the number of votes that may be cast on multiple voting shares as set out in article 26.1 of the articles of association describing the voting threshold and further explained in "Share capital and general meeting", subparagraph "Voting rights and adoption of resolutions" in this Corporate Governance report. Except by virtue of the different voting rights attached to the ordinary shares and non-listed ordinary shares (one vote per share) and the multiple voting shares (20 votes per share, subject to the application of a voting threshold), none of the shareholders will have any voting rights different from any other shareholders.

g) The Company is not aware of the existence of any agreements with shareholders of the Company which may result in restrictions on the transfer of shares or limitation or voting rights, other than (a) a shareholders' agreement between Merloni Holding S.p.A. and Amaranta S.r.l entered into on 26 October 2021 and (b) lock-up provisions included in the agreement for the sale and purchase of CENTROTEC Climate Systems GmbH entered into between CENTROTEC SE and Ariston Holding N.V. on 15 September 2022.

   The shareholders agreement provides as follows:

   (i) Merloni Holding S.p.A. shall procure that one person indicated by Amaranta S.r.l. is appointed as director so long as Amaranta S.r.l. holds at least 7% of issued share capital of the Company;
   (ii) should Merloni Holding S.p.A.:
      a. decide to sell a number of multiple voting shares so that it loses control over the Company, then Amaranta S.r.l. will be entitled to tag its multiple voting shares to the sale of multiple voting shares held by Merloni Holding S.p.A.;
      b. receive an offer for the entirety of the outstanding multiple voting shares, then Merloni Holding S.p.A. will be entitled to drag along the multiple voting shares held by Amaranta S.r.l.;
   (iii) Merloni Holding S.p.A. shall be entitled to acquire from Amaranta S.r.l. 6,000,000 multiple voting shares in exchange for the same amount of ordinary shares by virtue of a call option; and
   (iv) each of Merloni Holding S.p.A. and Amaranta S.r.l. shall inform the other party in case it wishes to convert its multiple voting shares into ordinary shares.

   Pursuant to the lock-up provisions included in the sale and purchase agreement, CENTROTEC SE may not transfer the 41,416,667 ordinary shares (of which 22,095,194 non-listed ordinary shares) it holds in the capital of the Company following the sale of CENTROTEC Climate Systems GmbH until 2 January 2023 and may not transfer more than 20,708,332 ordinary shares until 2 January 2025.

h) The rules governing the appointment and dismissal of directors are stated in the articles of association. All directors are appointed by the general meeting. The Board nominates a candidate for each vacant seat. A nomination by the Board will be binding as described above under "Board" in this Corporate Governance report. Directors are appointed for a period of time to be determined by the general meeting, ending not sooner than immediately after the general meeting held in the first year after the year of their appointment and not later than immediately after the general meeting held in the fourth year after the year of their appointment.

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

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

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

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

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

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

The Company is entitled to acquire fully paid-up shares in its capital. The terms and conditions for the acquisition of shares by the Company in its capital are set out in article 10 of the articles of association.

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

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

Statements by the Board

Ariston's consolidated and company financial statements for 2023 have been prepared in accordance with the IFRS as adopted by the EU and with Part 9, Book 2 of the Dutch Civil Code.

In accordance with best practice 1.4.3 of the Dutch corporate governance code and based on the assessment performed, the Board believes that, as at 31 December 2023, the Group's and the Company's internal control over financial reporting is considered effective and that:

a) the Board report provides sufficient insights into any material weaknesses in the effectiveness of the internal risk management and control systems (reference is made to section 5.1 "Risk management");
b) the internal risk management and control systems are designed to provide reasonable assurance that the financial reporting does not contain any material inaccuracies (reference is made to section 5.1 "Risk management");
c) based on the current state of affairs, it is justified that the financial statements are prepared on a going concern basis (reference is made to paragraph 3.i. of the "Notes to the consolidated financial statements"); and
d) the Board report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of this annual report (section 5.1.3 "Main risks and uncertainties to which the Group is exposed").

As required by section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act, the Board declares that, to the best of its knowledge:

a. the financial statements provide a true and fair view of the assets, liabilities, financial positions and profit or loss for the year of the Company and its subsidiaries;
b. the Board report provides a fair view of the position at the balance sheet date and developments during the year under review of the Company and its subsidiaries, together with a description of the principal risks and uncertainties that the Company and the Group face.

Paolo Merloni
Executive Chair

Maurizio Brusadelli
Chief Executive Officer

Antonia Di Bella
Non-executive director

Roberto Guidetti
Non-executive director

Laurent Jacquemin
Non-executive director

Guido Krass
Non-executive director

Francesco Merloni
Non-executive director

Maria Francesca Merloni
Non-executive director

Lorenzo Pozza
Non-executive director

Ignazio Rocco di Torrepadula
Non-executive director

Marinella Soldi
Lead non-executive director

Enrico Vita
Non-executive director

5.4 Remuneration report

Introduction

This remuneration report summarises the guidelines and the principles followed by the Company in order to define and implement the remuneration policy. In addition, this remuneration report provides the remuneration paid to executive directors and non-executive directors for the year ended 31 December 2023.

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

The remuneration policy for the directors was adopted by the general meeting on 4 May 2023. The remuneration policy aims to contribute to the Group's business strategy and is expected to enable the Company to achieve its business objectives. The non-executive directors are responsible for the implementation and monitoring of the remuneration policy.

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

The remuneration report for 2022 was submitted to the annual general meeting held in May 2023. 97.43% of the votes were cast for the remuneration report and 2.57% against.

Feedback received from investors on the previous version of the remuneration policy and the remuneration report for 2022 identified as an area of concern the lack of an explicit quantitative indication of thresholds and targets, on which the variable compensation was calculated. The Board, after careful consideration, determined that the competitive risks associated with exposing the Company’s expectations – which in time would result in offering an insight on how the Company’s budgets are prepared – would outweigh the advantages of transparency towards shareholders, and ultimately hurt their economic interest.

Remuneration of the executive directors

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

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

Remuneration principles

The remuneration policy is built on the following six principles:

- Align short and long-term strategy: through the variable incentives for executive directors, the Company aims to align the short-term yearly objectives with the long-term goals of the Group. This is reflected in the grant of long-term variable incentives, taking into account a three-year vesting period and lock-up obligations. Such alignment is consistent with long-term sustainability objectives.

- Pay for performance: the remuneration must reinforce the performance driven culture by rewarding top performers. It must also ensure, through the variable incentives, the alignment between executive directors' remuneration on the one hand and the annual business plan and sustainable value creation for the Company's shareholders on the other.
- Differentiating by experience and responsibility: the remuneration is defined in coherence with the responsibilities, experience and competence required by the position and periodically reviewed in accordance with the performance of the directors. In addition, in determining the remuneration policy the employment conditions of the Group are taken into account.
- Simple and transparent: this principle is reflected through the remuneration policy being based on simple and customary mechanisms. The Company is transparent in relation to the remuneration that is awarded to directors. Furthermore, the achievement of the targets can be verified in publicly disclosed and easily accessible performance results.
- Risk prudence: the remuneration structure aims to avoid incentives that encourage unnecessary or excessive risks that could threaten the Group's value.
- Compliance: the remuneration policy complies with applicable laws and regulations. The Group adopts the highest standards of corporate governance.

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

Market perspective

Although the Group pursues its remuneration policies independently and such policies are not benchmarked against a group of peers, market perspective is one of the factors that the non-executive directors take into account when determining adequate remuneration levels to attract and retain skilled leaders. The Company believes that the periodical review of the remuneration policies adopted by companies of comparable size and economic performance may be a useful tool to understand its competitive positioning on the labour market and attractiveness for high-quality human capital, which the Company deems a key driver for growth, innovation and development. Such monitoring of market practices is performed with the support of a subject-matter expert and international advisory firms that periodically provide salary references and market trends on remuneration practices. In 2023 the Company was supported by Mercer.

The Remuneration Policy, even if defined based on the Company's specific strategies and long-term objectives, is nonetheless in line with companies of comparable size and economic performance. In this regard, on a regular basis the Company performs an analysis of the market competitiveness of executive directors' fixed and variable remuneration through the support of international and subject-matter expert advisory firms.

Remuneration components of the executive directors

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

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

The remuneration policy for executive directors consists of:

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

(ii) variable incentives
- short-term incentive ("STI")
- long-term incentive ("LTI")

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

** The terms Turnover and Net Sales are to be considered equivalent.*

Simulated scenarios of the possible outcomes of the variable incentive components and their effect on the remuneration of the executive directors are conducted in accordance with the Dutch corporate governance code.

Base remuneration

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

The Company ensures that the fixed 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 reviews the fixed remuneration and decides whether circumstances justify adjustments.

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

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

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

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

Short-term incentive

The short-term incentive ("STI") aims to ensure that the executive directors, and other selected eligible employees, are well incentivised to achieve the Group's quantitative performance targets in the short-term. The purpose of the STI 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) target ranges, based on the Group business plan, whereby the pay-out is equal to 100% of the target amount if the targets as per the business plan are met, while the pay-out will range from 50% to 150% of the target amount depending on whether the actual performance is below the target but within a selected gate(threshold) or above the target.

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

There are three performance indicators as follows:
(i) Target A identifies the Group EBIT adjusted (60% of the global performance target);
(ii) Target B identifies the Group turnover (20% of the global performance target); and
(iii) Target C identifies the Group Quality Index (20% of the global performance target).

Target C is designed to push the quality of the product, as sustainable quality contributes to the Group performance in the long run and is calculated as a weighted combination of a set of single KPIs measuring the quality of the product along its lifecycle: from manufacturing to parts supply, product development and after sales (warranty spending). 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 behaviour, which the Group is inspired by with the utmost commitment and rigour, should in any case be reflected, in the long term, in the financial results of the Company and the Group. If the short-term incentive targets are met, the short-term incentive is paid the year following the relevant performance period once the predetermined performance objectives are verified.

The STI 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 statements will be equal to zero, or a net loss for the period will be reported.

Long-term incentive

LTI Plan

Executive directors are eligible for grants under the Company's long-term incentive plan ("LTIP"), as amended from time to time, and as approved by the general meeting. LTIP aims at providing incentives for the executive directors – and other selected eligible Group employees identified according to the banding model adopted by the Company – to achieve growth results in the medium and long term and at ensuring executive alignment with the pursuit of the key objective of sustainable creation of value for shareholders.

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

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

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

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

There are three performance targets as follows:

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

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

(iii) an environmental social governance ("ESG") objective, measuring the Scope 4 CO_2 emissions avoided by 2025, from a 2020 baseline, thanks to the renewable and high-efficiency products the Company sells with respect to the efficiency of the installed park in the regions where the Company operates (15% of the global performance target).

Considering the sensitivity of the three-year plan on Adjusted EBIT and net sales, the specific targets will not be disclosed to avoid providing information that could offer an advantage to competitors.

The relative TSR is measured against a peer group of 10 companies selected based on sector proximity, group size and listing on the relevant stock market. For LTI 2021 the peer group is composed by Lennox, Trane, Prysmian, Carrier, Carel Industries, A.O.Smith Corporation, Daikin, Interpump, Johnson Controls and Nibe. As regards the measurement of the TSR for the Company and the companies of the Peer Group, it is calculated in the three-month period preceding the beginning and the end of the performance period to sterilise any possible volatility on the market.

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 ordinary shares (net of sell to cover) accrued for the executive directors. As a result, the LTI plan is clearly linked to the long-term interests of the Company, in line with best market practices.

Phantom stock option plan

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

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

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

Scenario analysis

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

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

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

Severance

The management agreement of the former Chief Executive Officer, Laurent Jacquemin, was entered into on 4 May 2017, several years before the Admission. The management agreement provides that, upon termination by the Company and subject to conditions, the chief executive officer is entitled to a one-off severance equal to an amount of up to two years of their remuneration as manager (net of any amount paid as non-compete obligation consideration). The remuneration used for calculating the severance includes the base salary and the short-term incentive. Following Admission, the Company elected to respect and maintain the agreement signed in 2017. In light of Laurent Jacquemin's voluntary step down as CEO effective 27 July 2023 no severance was paid by the Company.

The management agreement of the Chief Executive Officer, Mr. Maurizio Brusadelli, provides for, upon termination by the Company and certain conditions being met, the payment of a one-off severance equal to an amount of up to two years of his (i) fixed remuneration and fees, and (ii) the STI target amount.

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.

Right to reclaim variable remuneration

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

2023 remuneration of the executive directors

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

The following table summarises the remuneration received by the executive directors for the years ended 31 December 2023 and 2022:

Director, Position, Year		Base remuneration			Variable incentive		Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
		Fixed Remu-neration	Fees	Benefits and perquisites	Short-term incentive	Long-term in-centive*				
Paolo Merloni *Executive Chair*	2023	1,100	80	61	541	981 (1)	-	50	2,813	46% fixed 54% variable
	2022	1,000	80	38	666	1,696 (2)	-	43	3,523	33% fixed 67% variable
Maurizio Bru-sadelli *Chief Executive Officer* (3)	2023	913 (4)	21	41	406	0	-	19	1,399	not applicable
Laurent Jacquemin *Chief Executive Officer* (5)	2023	583	50	37	0	981 (1)	1,000 (6)	-	2,652	not applicable
	2022	900	50	79	555	1,017 (7)	-	-	2,601	40% fixed 60% variable

Notes:

- *Fixed remuneration represents for the executive chair the base salary and the executive director fee. On 20 February 2023, the compensation and talent development committee unanimously resolved to increase the fixed remuneration to further align on the median and LTI. Therefore, the following proposal for the executive directors' compensation for 2023 was presented to the Board: executive chair base salary at € 1.1 million with a short-term incentive target of € 600,000 and LTI of € 1.1 million (award counter value) and former CEO fixed remuneration at € 1 million and LTI of € 1 million (award counter value). The Board unanimously approved the proposal on 2 March 2023.*
- *Fees represent the Board fee and the committee membership fees.*
- *The short-term incentive represents the incentive to be paid for performance in 2023.*
- *The long-term incentive value is calculated as follows: (i) for 2023, the LTI is valued referring to the share price on 29 December 2023 at close of trade (€ 6.26) (and it refers to the vesting of the 2020 converted LTI phantom stock option plan) and (ii) for 2022, the LTI is valued referring to the share price on 30 December 2022 at close of trade (€ 9.62) (and it refers to the vesting of the 2019 converted LTI phantom stock option plan).*

(1) *LTI accrued value based on IFRS2 expenses is € 1,607 thousand.*
(2) *LTI accrued value based on IFRS2 expenses is € 1,807 thousand.*
(3) *Since 3 August 2023.*
(4) *Maurizio Brusadelli's fixed remuneration consists of (i) € 400,000 per annum for his position as general manager, (ii) € 800,000 per annum for his position as executive director, and (iii) € 700,000 per annum for his non-compete consideration.*
(5) *As until 27 July 2023.*
(6) *On 3 May 2023 the Board, at the proposal of the compensation & talent development committee, approved a retention package to incentivise Laurent Jacquemin to stay as non-executive director in case of his early resignation as Chief Executive Officer, considering his 30+ years in the Company, his profound knowledge of the business and his vision for the long-term plans for the Group. This retention package includes the payment of a € 1 million lump sum, the continuation of his rights under the 2021 LTIP and maintenance of benefits for a value of € 35,000.*
(7) *LTI accrued value based on IFRS2 expenses is € 1,084 thousand.*

Short-term incentive

To determine the executive directors' short-term remuneration, the compensation and talent development committee selected and proposed to the Board the following metrics as performed by the executive directors in 2023:

KPI 2023	Weight	Bandwidth pay-out level		
		Minimum	On-target	Maximum
Group EBIT adjusted (€ million)	60%		▲	
Group turnover (€ million)	20%	▲		
Group Quality Index	20%		▲	

The pay-out level of the 2023 short-term incentive reflects the Company performance results approved by the Board of 2 March 2023.

Long-term incentive

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

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

The table below provides an overview of ordinary shares held by executive directors as of 31 December 2023.

Executive director	Number of ordinary shares
Paolo Merloni	442,558
Laurent Jacquemin	415,235
Maurizio Brusadelli	50,000

The table below provides an overview of the conversion result for the phantom stock options awarded in 2020 that were unvested at Admission and converted into restricted share units at the offer price of the Company's initial public offering and the LTIP 2021, 2022 and 2023 award of performance share units.

Director, position	Main conditions of performance share plans: Plan	Performance period	Vesting start date	Vesting end date	Information regarding 2023 — Opening balance: Performance shares on 1 January 2023(1)	During the year: Performance shares awarded	During the year: Performance shares vested	Closing balance: Shares vested	Closing balance: Share awarded and unvested	Closing balance: Unexercised shares
Paolo Merloni *Executive Chair*	2020	2020-2022	31.03.2020	31.03.2023	156,737	0	156,737	156,737	0	156,737
	2021	2021-2023	31.03.2021	31.03.2024	112,000	0	0	0	112,000	0
	2022	2022-2024	28.04.2022	31.03.2025	104,948	0	0	0	104,948	0
	2023	2023-2025	04.05.2023	30.03.2026	0	110,741(2)	0	0	110,741	0
Maurizio Brusadelli *Chief Executive Officer* (3)	2023	2023-2025	03.08.2023	30.03.2026	0	208,776(4)	0	0	208,776(	0
Laurent Jacquemin *Chief Executive Officer* (5)	2020	2020-2022	31.03.2020	31.03.2023	156,737	0	156,737	156,737	0	156,737
	2021	2021-2023	31.03.2021	31.03.2024	112,000	0	0	0	112,000	0
	2022	2022-2024	28.04.2022	31.03.2025	94,453	0	0	0	94,453	0
	2023	2023-2025	04.05.2023	30.03.2026	0	0(6)	0	0	0	0

(1) Unvested share units.

(2) The number of PSUs to be granted to the executive chair, as resolved by the Board on 2 March 2023 on the proposal of the compensation and talent development committee, is determined by dividing the individual award by the average closing price of the Company's shares on the 30 trading days before the award. Specifically, for 2023 the average closing price on the 30 trading days before the award was € 9.9331.

(3) Since 3 August 2023.

(4) The number of PSUs to be granted to the Chief Executive Officer, as resolved by the Board on 3 August 2023 on the proposal of the compensation and talent development committee, is determined by dividing the individual award by the average closing price of the Company's shares on the 30 trading days before the grant. Specifically, the average closing price on the 30 trading days before the award was € 9.1007.

(5) As until 27 July 2023.

(6) Following the communication by the former Chief Executive Officer to the Board of 3 May 2023 about his decision to step down and resign as CEO and executive director of the Company, no LTIP 2023 has been awarded.

Change of remuneration of executive directors and Company performance

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

The following table shows a comparison of the fixed remuneration of the executive directors over the last five years who served as executive directors in 2023.

Annual change	2019	2020	2021	2022	2023
Executive directors' fixed remuneration *(in € thousand)*					
Paolo Merloni *Executive Chair*	1,005	995	1,003	1,118	1,241
Maurizio Brusadelli *Chief Executive Officer* (1)	N.A.	N.A.	N.A.	N.A.	974
Laurent Jacquemin *Chief Executive Officer* (2)	718	782	880	1,029	670
Executive directors' total remuneration *(in € million)*					
Paolo Merloni *Executive Chair*	N.A.	N.A.	2,879	3,523	2,813
Maurizio Brusadelli *Chief Executive Officer* (1)	N.A.	N.A.	N.A.	N.A.	1,399
Laurent Jacquemin *Chief Executive Officer* (2)	N.A.	N.A.	2,128	2,601	2,652
Company performance *(in € million)*					
EBIT	134	149	171	194	285
EBITDA	209	227	247	283	417
EBIT Adjusted	149	164	203	223	314
EBITDA Adjusted	223	239	277	305	422
Average remuneration on a full-time equivalent basis of employees(3)					
Employees of the Group	N.A	N.A	54	59	65
Internal pay ratio Chief Executive Officer (3)					
Chief Executive Officer vs employees of the Group	N.A.(4)	N.A.(4)	40	44	N.A.(5)

(1) Since 3 August 2023
(2) As until 27 July 2023
(3) The population composition changes across the years in terms of FTE, mix and countries
(4) Not available as the Company was not listed in 2019 and 2020
(5) In 2023 there is no relevant full year data for the CEO remuneration to be used in the calculation of the "formal" pay ratio, as the new CEO has been appointed on August 2023

Internal pay ratio chief executive officer based on fixed remuneration

In accordance with Dutch law and the Dutch corporate governance code, the internal pay ratio is an important factor in determining the remuneration policy. The Dutch corporate governance code was amended on 20 December 2022 and entered into force as for the financial year beginning on or after 1 January 2023. Pursuant to the new version of the Dutch corporate governance code 'pay ratios' is understood to mean the ratio between (a) the total annual remuneration of the chief executive officer and (b) the average annual remuneration of the employees of the company and the group companies whose financial data the company consolidates, where: (i) the total annual remuneration of the chief executive officer includes all remuneration components (such as fixed remuneration, variable remuneration in cash (bonus), the share-based part of the remuneration, social security contributions, pension, expense allowance, etc.), as included in the (consolidated) financial statements; (ii) the average annual remuneration of the employees is determined by dividing the total wage costs in the financial year (as included in the (consolidated) financial statements) by the average number of FTEs during the financial year; and (iii) the value of the share-based remuneration is determined at the time of assignment, in line with the applicable rules under the applied reporting requirements. The Company has elected to follow this methodology from 2022. In 2023, given the change of chief executive officer, it is not possible to determine the annual remuneration of the chief executive officer. The pay ratio based on the annualised total remuneration (fixed remuneration and variable incentive) of the new chief executive officer is equal to 75. The difference between the pay ratio of the former and the new chief executive officer is linked to the higher overall remuneration package of the latter.

Compliance with the remuneration policy and application of performance criteria

For the Board's 2023 remuneration, all the criteria, rules and procedures defined in the remuneration policy have been implemented with no deviations or derogations.

Director, position	Description of the performance criteria and type of applicable remuneration	Relative weighting of the performance criteria	Actual award outcome
Paolo Merloni *Executive Chair*	Short-term incentive: Group EBIT Adjusted (*EUR million*)	60%	
	Short-term incentive: Group Net Revenue (*EUR million*)	20%	
	Short-term incentive: Group Quality Index	20%	
	Long-term incentive: EBIT Adjusted Objective and Net revenue objective	70%	(a) [●] available in 2026 (b) [●] available in 2026
	Long-term incentive: TSR objective	15%	(a) [●] available in 2026 (b) [●] available in 2026
	Long-term incentive: Sustainability objective	15%	(a) [●] available in 2026 (b) [●] available in 2026
Maurizio Brusadelli *Chief Executive Officer* [1]	Short-term incentive: Group EBIT Adjusted (*EUR million*)	60%	
	Short-term incentive: Group Net Revenue (*EUR million*)	20%	
	Short-term incentive: Group Quality Index	20%	
	Long-term incentive: EBIT Adjusted objective and Net Revenue objective	70%	(a) [●] available in 2026 (b) [●] available in 2026
	Long-term incentive: TSR objective	15%	(a) [●] available in 2026 (b) [●] available in 2026
	Long-term incentive: Sustainability objective	15%	(a) [●] available in 2026 (b) [●] available in 2026

(1) Since 3 August 2023.

For the former Chief Executive Officer, as result of his early stepping down as CEO and executive director, both the STI and LTIP 2023 will not result in any payout.

Remuneration of non-executive directors

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

Remuneration components for non-executive directors

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

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

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

2023 remuneration of the non-executive directors

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

The following table summarises the remuneration received by the non-executive directors for the years ended 31 December 2023 and 2022.

Non-executive director *(in € thousand)*	Fee 2023	Supplementary committee Fee 2023	Remuneration 2023	Remuneration 2022
Laurent Jacquemin(1)	50	0	50	50
Francesco Merloni	50	0	50	50
Marinella Soldi	50	20	70	70
Antonia Di Bella	50	10	60	0
Guido Krass	50	10	60	0
Roberto Guidetti	50	40	90	90
Maria Francesca Merloni	50	0	50	50
Lorenzo Pozza	50	20	70	70
Ignazio Rocco di Torrepadula	50	20	70	60
Enrico Vita	50	10	60	60

(1) Since 27 July 2023.

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

Non-executive director *(in € thousand)*	**2019**	**2020**	**2021**	**2022**	**2023**
Laurent Jacquemin[1]	50[2]	50[2]	48[2]	50[2]	50
Francesco Merloni	50	50	48	50	50
Marinella Soldi	74	74	67	70	70
Antonia Di Bella	0	0	0	0	60
Guido Krass	0	0	0	0	60
Roberto Guidetti	59	59	71	90	90
Maria Francesca Merloni	50	50	48	50	50
Lorenzo Pozza	0	0	38[3]	70	70
Ignazio Rocco di Torrepadula	0	0	38[3]	60	70
Enrico Vita	56	53	52	60	50

(1) Since 27 July 2023.
(2) Fees received during his period as CEO.
(3) Since 15 June 2021.

6. Ariston Holding N.V. Consolidated Report Financial Statements at 31 December 2023

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6. Ariston Holding N.V. Consolidated Report Financial Statements at 31 December 2023

Consolidated income statement as at 31 December 2023

(in € million)	notes	2023		2022	
REVENUE AND INCOME					
Net revenue	1.1	3,091.8	100.0%	2,378.8	100.0%
Other revenue and income	1.1	58.3	1.9%	42.7	1.8%
Revenue and Income	1.1	3,150.1	101.9%	2,421.5	101.8%
OPERATING EXPENSES					
Change in inventories	1.2	-36.0	-1.2%	-93.7	-3.9%
Raw materials, consumables and goods for resale	1.2	1,475.8	47.7%	1,243.3	52.3%
Services	1.3	517.3	16.7%	464.0	19.5%
Personnel	1.4	674.6	21.8%	459.0	19.3%
Depreciation and amortisation	2.1/2.2	131.4	4.3%	89.8	3.8%
Additions and release of provisions	1.5	67.8	2.2%	31.2	1.3%
Write-downs		1.1	0.0%	3.8	0.2%
Other operating expenses	1.6	32.5	1.1%	30.4	1.3%
Operating expenses		2,864.4	92.6%	2,227.8	93.7%
OPERATING PROFIT (EBIT)	1.7	285.7	9.2%	193.7	8.1%
FINANCIAL INCOME AND EXPENSE					
Financial income	1.8	11.6	0.4%	6.0	0.3%
Financial expense	1.9	-44.0	-1.4%	-15.7	-0.7%
Exchange rate gains/losses	1.10	1.5	0.0%	-8.9	-0.4%
Financial Income and Expense		-30.8	-1.0%	-18.6	-0.8%
PROFIT (LOSS) ON INVESTMENTS					
Profit (loss) on investments	1.11	-1.3	0.0%	4.7	0.2%
PROFIT BEFORE TAX		253.6	8.2%	179.8	7.6%
TAXES	1.12	62.4	2.0%	39.5	1.7%
			24.6%		22.0%
PROFIT (LOSS) FROM CONTINUING OPERATIONS		191.2	6.2%	140.3	5.9%
NET PROFIT		191.2	6.2%	140.3	5.9%
Net profit attributable to non-controlling Interests		0.0	0.0%	0.1	0.0%
Net profit attributable to the Group		191.2	6.2%	140.3	5.9%
Basic earnings per share (€)	1.13	0.52		0.43	
Diluted earnings per share (€)	1.13	0.51		0.42	

Consolidated statement of other comprehensive income as at 31 December 2023

(in € million)	notes	2023	2022
NET PROFIT	3.1	191.2	140.3
Items that will not be reclassified to the income statement			
Actuarial gains (losses) (*)	3.1	-5.2	7.9
Sub-total of items that will not be reclassified to the income statement		*-5.2*	*7.9*
Items that may be reclassified to the income statement			
Gains (losses) from the translation of financial statements	3.1	-8.5	11.6
Net gains (losses) under cash flow hedge reserve (*)	3.1	-24.4	23.7
Sub-total of Items that may be reclassified to the income statement		*-32.9*	*35.2*
Total other gains (losses) net of taxes		-38.1	43.2
TOTAL COMPREHENSIVE INCOME		153.1	183.5
Attributable to:			
- Group		153.1	183.4
- Non-controlling Interests		0.0	0.1

(*) Tax effect included

Consolidated statement of financial position as at 31 December 2023

(in € million)	notes	2023	2022
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	2.1	894.1	312.7
Other intangible assets	2.1	618.3	129.9
Total intangible assets	2.1	1,512.4	442.6
Property, plant and equipment			
Land and buildings excluding ROU		*197.4*	*125.9*
Land and buildings ROU		*56.3*	*47.4*
Land and buildings	2.2	253.7	173.3
Plant and machinery excluding ROU		*136.3*	*109.2*
Plant and machinery ROU		*1.4*	*1.6*
Plant and machinery	2.2	137.7	110.8
Other property, plant and equipment excluding ROU		*198.6*	*99.3*
Other property, plant and equipment ROU		*29.5*	*21.8*
Other property, plant and equipment	2.2	228.1	121.1
Total property, plant and equipment	2.2	619.4	405.1
Investments in associates & Joint ventures	2.3	6.0	2.4
Deferred tax assets	2.4	114.6	101.2
Financial assets	2.5	4.4	6.1
Other non-current assets	2.6	7.8	7.0
Non-current tax receivables	2.7	1.4	2.1
Total non-current assets		2,266.0	966.4
CURRENT ASSETS			
Inventories	2.8	619.0	476.8
Trade receivables	2.9	361.3	308.4
Tax receivables	2.10	47.8	28.4
Current financial assets	2.11	35.1	47.1
Other current assets	2.12	87.4	50.8
Cash and cash equivalents	2.13	451.2	999.3
Total current assets		1,601.8	1,910.8
ASSETS HELD FOR SALE	2.14	0.3	1.3
TOTAL ASSETS		3,868.0	2,878.5

Consolidated statement of financial position as at 31 December 2023

(in € million)	notes	2023	2022
LIABILITIES AND EQUITY			
NET EQUITY			
Share capital	3.1	46.5	46.1
Share premium reserve	3.1	711.3	313.3
Retained earnings and other reserves	3.1	553.6	510.3
Net profit attributable to the Group	3.1	191.2	140.3
Net equity attributable to the Group	3.1	1,502.6	1,010.0
Non-controlling interests and reserves		-0.1	2.1
Net profit attributable to non-controlling interests		0.0	0.1
Net equity attributable to non-controlling interests		-0.1	2.2
Net equity	3.1	1,502.5	1,012.2
NON-CURRENT LIABILITIES			
Deferred tax liabilities	3.2	214.3	61.8
Non-current provisions	3.3	73.8	59.6
Post employment benefits	3.4	87.2	38.6
Non-current financing	3.5	942.1	865.2
Other non-current liabilities	3.6	20.5	12.0
Non-current tax liabilities	3.7	3.9	1.8
Total non-current liabilities		1,341.5	1,038.9
CURRENT LIABILITIES			
Trade payables	3.8	463.7	481.4
Tax payables	3.9	83.9	53.0
Current provisions	3.10	68.9	36.2
Current financial liabilities	3.11	72.5	49.7
Current loans	3.12	46.7	32.7
Other current liabilities	3.13	288.2	174.5
Total current liabilities		1,024.0	827.4
LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE	3.14	0.0	0.0
TOTAL LIABILITIES AND NET EQUITY		3,868.0	2,878.5

Consolidated statement of cash flows

(in € million)		notes	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES				
1	NET PROFIT	3.1	191.2	140.3
2	- Taxes	1.12	62.4	39.5
3	- Income and expense from financing and investment activities	From 1.8 to 1.11	32.1	13.9
4	- Depreciation and amortisation excluding ROU	2.1/2.2	101.6	64.4
5	- Depreciation ROU	2.2	29.8	25.4
6	- Provisions	1.5	67.8	14.0
7	- Other adjustments		1.1	3.8
8	= GROSS OPERATING CASH FLOW (+1+2+3+4+5+6+7)		**486.0**	**301.2**
9	- Change in trade receivables	2.9	-5.3	-21.2
10	- Change in inventories	2.8	-32.3	-67.6
11	- Change in trade payables	3.9	-26.2	-27.0
12	- Change in other short-term assets/liabilities		-0.4	-3.4
13	- Change in provisions		-44.3	-15.6
14	- Tax paid		-74.0	-35.4
15	= NET OPERATING CASH FLOW (+8+9+10+11+12+13+14)		**303.5**	**130.9**
CASH FLOW FROM INVESTMENT ACTIVITIES				
16	- Investments in intangible assets	2.1	-30.2	-21.0
17	- Investments in property, plant and equipment (PPE)	2.2	-128.4	-57.6
18	- Business combinations	2.1.1	-547.0	-23.9
19	- Investments in financial assets		-4.9	-30.3
20	- Change in the scope of consolidation		0.0	-1.9
21	- Proceeds from sale of intangible assets and PPE	2.1/2.2	0.7	0.9
22	= CASH FLOW FROM INVESTMENT ACTIVITIES (+16+17+18+19+20+21)		**-709.9**	**-133.8**
CASH FLOW FROM FINANCING ACTIVITIES				
23	- Financial expense paid		-30.3	-7.4
24	- Financial income collected		8.9	5.0
25	- Financial expense pursuant to IFRS16		-2.9	-1.9
26	- Other inflows (outflows) of cash classified as financing activities	1.10	-0.5	-8.9
27	- Increase/decrease in short-term financial payables	3.5	14.5	6.4
28	- New loans	3.5	388.6	450.5
29	- Loans repayment	3.5	-444.7	-62.8
30	- Dividends	3.1	-48.3	-46.4
31	- Capital and reserves increase/distribution		0.0	0.0
32	- Proceeds from issue of ordinary shares		0.0	0.0
33	- Buyback/sale of treasury shares	3.1	-8.7	-12.5
34	= CASH FLOW FROM FINANCING ACTIVITIES (23+ / +33)		**-123.4**	**322.1**
35	= CASH FLOW FROM CONTINUING OPERATIONS (15+22+34)		**-529.7**	**319.3**
36	= CASH FLOW FROM DISCONTINUED OPERATIONS		**0.0**	**0.0**
37	= TOTAL CASH FLOW (35+36)		**-529.7**	**319.3**
38	*Effect of changes in exchange rates*		**-7.8**	**2.8**
39	= TOTAL MOVEMENT IN CASH AND CASH EQUIVALENTS (+37+38)		**-537.5**	**322.0**
40	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		977.5	655.5
41	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (+39+40)		440.0	977.5

Consolidated statement of changes in shareholders' equity as at 31 December 2023

CHANGES IN NET EQUITY *(in € million)*	Notes	Share capital	Treasury shares	Share premium reserve	Legal reserve	Stock-based incentive plans reserve	Reserve for gains/losses in equity	Actuarial gains (losses)	Retained earnings (losses) and other reserves	Net profit	Net equity attributable to the Group	Net equity attributable to non-controlling interest	Net Equity
Balances as at 31 December 2022	3.1	46.1	-12.5	313.3	28.3	11.4	22.8	-18.7	479.0	140.3	1,010.0	2.2	1,012.2
Changes in ownership interests									2.3		2.3	-2.3	0.0
Business combinations	2.1.1	0.4		398.2							398.6		398.6
Consolidated profit allocation									140.3	-140.3	0.0		0.0
Payment of dividends	3.1								-48.3		-48.3		-48.3
Share-based payments	3.1		6.4			-2.4			1.4		5.4		5.4
Acquisition of treasury shares	3.1		-8.7								-8.7		-8.7
Other changes	3.1			-0.2	2.5				-12.1		-9.8	-0.1	-9.9
Comprehensive income (loss)							-24.4	-5.2	-8.5		-38.1		-38.1
Net profit										191.2	191.2	0.0	191.2
Balances as at 31 December 2023	3.1	46.5	-14.8	711.3	30.8	9.0	-1.6	-23.9	554.1	191.2	1,502.6	-0.1	1,502.5

CHANGES IN NET EQUITY *(in € million)*	Notes	Share capital	Treasury shares	Share premium reserve	Legal reserve	Stock-based incentive plans reserve	Reserve for gains/losses in equity	Actuarial gains (losses)	Retained earnings (losses) and other reserves	Net profit	Net equity attributable to the Group	Net equity attributable to non controlling interest	Net Equity
Balances as at 31 December 2021	3.1	46.0	0.0	293.7	28.3	24.4	-0.9	-26.6	376.8	136.5	878.3	-0.2	878.1
Changes in ownership interests												2.4	2.4
Consolidated profit allocation									136.5	-136.5	0.0		0.0
Payment of dividends	3.1								-46.4		-46.4		-46.4
Acquisition of treasury shares			-12.5								-12.5		-12.5
Other changes		0.1		19.6		-13.0			0.5		7.1	-0.1	7.0
Comprehensive income (loss)							23.7	7.9	11.6		43.2		43.2
Net profit										140.3	140.3	0.1	140.3
Balances as at 31 December 2022	3.1	46.1	-12.5	313.3	28.3	11.4	22.8	-18.7	479.0	140.3	1,010.0	2.2	1,012.2

6.1 Corporate information

Ariston Holding N.V. (hereafter also the "Parent Company") is a Company listed in Euronext Milan, Italy, having its statutory seat in The Netherlands and enrolled in the Chamber of Commerce – KVK – of Amsterdam (CCI no. 83078738, RSIN no. 862717589, Establishment no. 000049275437, VAT Code: 01527100422, Fiscal Code 00760810572), with a secondary office in Via Broletto 44, Milano I-20121.
The major business operations of the Group and of the Ariston Holding N.V. are in Italy and for that reason the Company has established a secondary seat with a permanent representative office, within the meaning of article 2508 of the Italian Civil Code.
The Parent Company's primary purpose is to be a holding company and, with it, the management and coordination of a series of business processes for all the subsidiaries of the Group (hereinafter the "subsidiaries"). The Group, with its subsidiaries, is active in the business of the production and distribution of hot water and space heating and service solutions with cutting-edge technology serving markets all around the world.
At 31 December 2023, voting rights are as follows (not including 0.60% of treasury shares): Merloni Holding S.p.A. 73.64% and Amaranta S.r.l. 18.60% (equating to 66.34% of the share capital) while the market is entitled for 7.76%.
The issued share capital of the Company is held by Merloni Holding S.p.A. for 58.38%, Amaranta S.r.l. for 7.96%, the market for 21.95%, Centrotec SE for 11.12% and for 0.60% Ariston Holding (treasury shares).
The consolidated financial statements of the Ariston Group for the year ending 31 December 2023 were approved on 5 March 2024 by the Board of the Parent Company and recognised for issue.
The consolidated financial statements comprise the following: income statement, statement of other comprehensive income, statement of financial position, statement of cash flows, statement of changes equity (in millions of Euro) and these notes to the financial statements.

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

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

6.2 Significant events of the year

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

- On 2 January 2023, the Ariston Group completed the acquisition of 100% of the share capital of CENTROTEC Climate Systems (now called Wolf-Brink) for € 625.8 million in cash, plus 41,416,667 Ariston Holding N.V. shares. The transaction, announced in September 2022, was the largest deal in the Group's history and contributed to the increase in the Ariston Group's ESG focus, also reinforcing its portfolio of brands and its mid-to high-end offer of climate solutions. Moreover, it further consolidated its positioning in Europe, with Germany becoming the first market;
- On 26 April 2023, the Chinese subsidiary named 'Atmor (Dongguan) Electronic Technology Co' was put into liquidation. As at 31 December 2023 the liquidation process is still ongoing. The contribution of the Chinese entity to the Net Revenue and Total Assets of the Group is not material;
- 2023 will once again be marked by the evolution of events connected with the military conflict between Russia and Ukraine, with direct impacts on geopolitical and social stability on a global scale. The world context is involved in and impacted by the evolution of the military conflict, which is still causing serious social and economic consequences for the countries directly or indirectly involved. Tensions between countries have increased over the last few months, exacerbated by the fact that there is no obvious end in sight for the Russia-Ukraine conflict and the emergence of strains in Asia and other parts of the world. Despite the ongoing conflict, Ariston's operations in Russia and Ukraine are not experiencing significant impacts on their business and no going concern issue nor impairment indicators have been identified;
- The effects of the 'Swords of Iron' war can be summarised as follows. In October 2023, the 'Swords of Iron' war broke out in Israel ("the war"). The ongoing war has led to a slowdown in business activity throughout the Israeli economy, as a result, among others, of the shutdown of enterprises in the south and north of Israel, the damage to local infrastructure, the nationwide military reserve draft for an indefinite period and the disruption of economic activity in the entire country. The prolongation of the war is likely to have extensive nationwide effects on numerous business and geographic segments. The potential fluctuations in commodity prices, foreign currency exchange rates, availability of materials and manpower, local services and access to local resources are all liable to affect entities whose main operations are conducted in or with Israel. Nevertheless and despite the above, an assessment of the principal effects of the war on the Israel subsidiary Chromagen Ltd has been carried out with immaterial impact on net revenue, EBIT and Operative Cash Flows.

6.3 Basis of accounting preparation

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

i. Going concern

The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgment that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the date of signing the Company's consolidated financial statements.

In compliance with IAS 38 and IAS 36, on a yearly basis, the Group verifies the recoverable value of intangible assets with an 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 Group continues to be very sound, in all the economic and financial ratios, protecting its operations, revamping the investment plans and not exposed to any going concern issues.

ii. Segment reporting

For management purposes, the Group is organised into 3 business divisions (representing the three CGUs Thermal Comfort, Burners and Components), however from a segment reporting perspective, the Group discloses a unique reportable segment, in accordance with IFRS 8 – Operating Segments.
In assessing performance, management reviews financial information on an integrated basis for the Group as a whole, substantially in the form of, and on the same basis as, the Group's IFRS Financial Statements.
The information required as per IFRS 8.31-34 has been disclosed in the Section '6. Disclosure to the Financial Statements'.

iii. Principles and basis of consolidation

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

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.
All subsidiaries are consolidated from the date when the Group acquired their control. The entities are excluded from the consolidation area from the date when the Group ceases or loses control of them.
The Income statement and each component of the OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.
When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.
All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.
Compared to 31 December 2022, the scope of consolidation changed due to the following transactions:

- On 2 January, the Ariston Group completed the acquisition of Wolf-Brink (previously announced as "CENTROTEC Climate Systems"). Refer to 'Note 2.1.1 – Business combinations' for further details. Wolf-Brink is included in the Ariston Group's perimeter starting from the acquisition date.
- In January 2023, the Spanish subsidiary 'Chromagen Espana S.L.' merged by incorporation into 'Ariston Iberica SL' with retroactive accounting effects as from 1 January 2023.
- In January 2023, the Dutch subsidiary 'ATAG Verwarming Nederland B.V.' merged by incorporation into 'ATAG Heating B.V.' with retroactive accounting effects as from 1 January 2023.
- In January 2023, the Group acquired the remaining 51% of the subsidiary 'Ariston Gulf Water Heating LLC';
- In April 2023, a French entity, named 'Instachauf Société Par Actions Simplifiée', was established. The 100% shares are owned by Ariston Holding N.V.
- In April 2023, a Greek entity, named 'Ariston Group Greece P.C.', was established. The 100% shares are owned by the Dutch subsidiary ATAG Heating B.V.
- In May 2023, the Swiss subsidiary 'Ariston Thermo Parts & Service SA' merged by incorporation into 'Elcotherm AG' with retroactive accounting effects as from 1 January 2023.
- On 31 May, the Ariston Group signed a Put and Call option agreement for the acquisition of 49% of 'Chromagen Australia Pty LTD'. The Ariston Group already owned 51% of the shares of Chromagen Australia, acquired in 2022.

- On 14 June, the Ariston Group acquired 100% of the shares of the Greek entity 'MTG Service Single Member'. The acquisition was performed by the Greek entity 'Ariston Group Greece P.C.'. The acquisition agreement sets forth a mechanism for a subsequent adjustment of the purchase price (earn-out) based on the results for 2022. Refer to 'Note 2.1.1 – Business combinations' for further details. 'MTG Service Single Member' is included in the Ariston Group's perimeter starting from the acquisition date.

- In June 2023, a Serbian entity, named 'Ariston Climate Solutions d.o.o.', was established. 100% of the shares are owned by the Dutch subsidiary ATAG Heating B.V.

- In June 2023, the Bahrain entity 'Ariston Thermo MEA SPC' was liquidated and ceased to exist. The entity was put in liquidation on 14 June 2022. Financial consequences are not material.

For further details on transactions that occurred in the year, reference should be made to the following section "Principles and basis of consolidation".

The list of the companies included in the basis of consolidation at 31 December 2023 is presented in the "List of companies at 31 December 2023".

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

Associates and joint ventures

The consolidated financial statements include the portion of associates' economic results attributable to the Group. Associates are companies over which the Group has a significant influence, in terms of financial and operating policies, although not holding 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost.
The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

The income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in the OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.
The aggregate of the Group's share of the income statement of an associate and a joint venture is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.
The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss in 'Share of profit of an associate and a joint venture' in the income statement.
Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

Transactions excluded from the consolidation process

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

Consolidation of foreign companies

All assets and liabilities of foreign companies in a functional currency other than the euro, falling within the consolidation area, are converted using the exchange rates in effect at the reference date of the financial statements (current exchange rate method). 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 in the OCI and under equity until the shareholding is transferred.
Goodwill and adjustments to the fair values generated by the acquisition of a foreign company, are 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		2023 Average exch. Rate	2023 Exch. Rate at 31.12	2022 Average exch. Rate	2022 Exch. Rate at 31.12
Emirati Dirham	AED	3.9895	4.0581	3.8903	3.9171
Argentine Peso	ARS	892.9239	892.9239	188.5033	188.5033
Canadian Dollar	CAD	1.4611	1.4642	1.3674	1.4440
Swiss Franc	CHF	0.9715	0.9260	1.0034	0.9847
Chinese Renminbi	CNY	7.6669	7.8509	7.0931	7.3582
Czech Koruna	CZK	23.8223	24.7240	24.5718	24.1160
Danish Crown	DKK	7.4527	7.4529	7.4394	7.4365
Egyptian Pound	EGP	33.5101	34.1589	20.0382	26.3990
English Sterling	GBP	0.8695	0.8691	0.8526	0.8869
Croatian Kuna	HRK	7.5345	7.5345	7.5357	7.5365
Hungarian Forint	HUF	381.9359	382.8000	392.4311	400.8700
Indonesian Rupiah	IDR	16,457.0319	17,079.7100	15,608.3120	16,519.8200
Indian Rupiah	INR	89.4022	91.9045	82.4618	88.1710
Kazakhstani Tenge	KZT	494.2175	502.4800	481.4668	492.9000
Morocco Dirham	MAD	10.9737	10.9280	10.6757	11.1580
Mexican Peso	MXN	19.1258	18.7231	20.9434	20.8560
Nigerian Naira	NGN	986.1960	1,180.7533	596.1000	653.8300
Polish Zloty	PLN	4.5511	4.3395	4.6931	4.6808
Romanian New Leu	RON	4.9509	4.9756	4.9299	4.9495
Singapore Dollar	SGD	1.4533	1.4591	1.4534	1.4300
Tunisian Dinar	TND	3.3560	3.3936	3.2514	3.3221
Ukrainian Hryvnia	UAH	39.7440	41.9960	34.5027	39.0370
US Dollar	USD	1.0805	1.1050	1.0536	1.0666
Vietnam Dong	VND	25,922.9780	26,808.0000	24,497.4172	25,183.0000
Israeli New Shekel	ILS	3.9995	3.9993	3.5400	3.7554
Serbian Dinar	RSD	117.2537	116.9841	117.4202	117.3246
Australian Dollar	AUD	1.6340	1.6263	1.5156	1.5693
South African Rand	ZAR	19.9940	20.3477	17.1696	18.0986

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

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

Argentina and Turkey fulfilled the conditions which determine the presence of hyperinflation in accordance with the IFRS (International Financial Reporting Standards). Consequently, as of 1 July 2018, all the companies operating in Argentina and as of 30 June 2022 all companies operating in Turkey 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 2023 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 2018 for Argentina and of 2022 for Turkey. In particular:

- in relation to the income statement, costs and revenue were restated applying the change in the general consumer price index, in order to reflect the fall in purchasing power experienced by the local currency at 31 December 2023. For the purposes of the translation into euro of the income statement thus restated, the spot exchange rate at 31 December 2023 was consistently applied rather than the average exchange rate for the period. With reference to consolidated net revenue in the period, the effect from the application of the standard entailed a negative change of

Argentine peso 489.0 million equal to € 0.5 million in 2023. The effect of the hyperinflation for the Turkish entity has not been considered in the income statement given that the impact is not material and the entity has been in liquidation since July 2022;

- as regards the statement of financial position, the monetary elements were not restated, since they are already expressed in the current unit of measurement at the end date of the period; the non-monetary assets and liabilities were instead restated to reflect the fall in purchasing power of the local currency that occurred from the date on which the assets and liabilities were initially recorded, at the end of the period.

The Argentinian entity is now dormant. Financial consequences are not material.

The liquidation process of the Turkish entity is still ongoing. The process started in July 2022. Financial consequences are not material.

Business combinations

Business combinations are accounted for using the acquisition method.
The Group verifies that a business combination falls within the definition of the IFRS guidance hence only if it is an integrated set of activities and assets that, with the input and process, contribute to the output creation.
The cost of acquisition is calculated as the sum of payments transferred as part of a business combination, measured at fair value, on the acquisition date and at the value of the portion of the shareholders' equity relating to non-controlling interests, measured at fair value of the net interest recognised for the acquired entity.
Ancillary costs related to the transactions are recorded in the income statement at the time they are incurred. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.
The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.
When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.
Should the business combination be done in instalments, the interest previously held by the Group in the acquired business is revealed at fair value on the date control is acquired, and any resulting gains or losses are recognised in the income statement.
Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration, classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is remeasured at fair value at each reporting date with changes in fair value recognised in the income statement.
Any changes in the fair value of the net assets acquired, occurring once further information is available during the measurement period – 12 months from the acquisition date – are included retrospectively in goodwill.
Goodwill acquired in business combinations is initially measured at cost, as the excess of the sum of payments transferred, the value of the portion of shareholders' equity relating to non-controlling interests and the fair value of any interest previously held in the acquired business over the Group's portion of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. If the value of the net assets acquired and liabilities assumed on the acquisition date exceeds the sum of the transferred payments, the value of the non-controlling interests' portion of shareholders' equity and the fair value of any interest previously held in the acquired business, this excess value is accounted for in profit and loss as income from the transaction.
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Recognition of non-controlling interests

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

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

Accounting treatment of the Haas Heating BV earn-out

On 10 June 2021, 24.5% of the shares of the Dutch company Haas Heating B.V. were acquired by the Group through ATAG Heating B.V.
The acquisition agreement sets forth a mechanism for a subsequent adjustment of the purchase price (earn-out) based on a sales scheme at specific dates falling under IAS 28 *Investment in Associates and Joint Ventures*.
Therefore, a liability equal to the current value of the estimated obligation as at the date of its eventual future exercise, was recognised in the financial statements against the equity participation value.
A Share Purchase Agreement defined the purchase price at € 0.8 million and a liability for € 1.4 million is related to the earn-out program.
For the remaining shares the agreement foresees a series of call options divided in three tranches expiring in 2024, 2025 and 2026 that are not reflected in the Financial Statements and are not material in terms of the amount.
The company is treated as a joint venture due to the fact that the shareholder has a right of veto on important business decisions, thus valuing the participation with the equity method with the existence of a financial liability to be paid for acquiring the entity.

Accounting treatment of the Chromagen Group Reps & Warranties

On 5 January 2022, the Ariston Group acquired 100% of the shares and voting rights of the Chromagen Group that operates in Israel, Australia and Spain.
The agreement set forth a series of representation and warranty clauses to cover the Ariston Group against previous undisclosed liabilities not known at the date of the agreement. The Ariston Group withheld from the Purchase Price an amount to cover those risks which will be paid to the seller as per the agreement.
The present value of this amount is equal to € 2.4 million and it is classified under current liabilities given that at the date of the approval of these Consolidated financial statements it has been paid, precisely in January 2024.

Accounting treatment of the Put and Call Agreement for the non-controlling interest in Chromagen Australia

On 31 May 2023, the Group entered into an agreement with the Minority for the acquisition of the remaining shares. The agreement establishes both a call option, granting the Group the right to purchase the shares, and a put option, affording the Minority the right to sell the shares. The present value of this amount is equal to € 6.7 million. The exercise date is set within 2 months following the approval of the Financial Statement for the FY 2025.

Accounting treatment of the MTG Service Single Member reps & warranties

On 14 June 2023, the Ariston Group acquired 100% of the shares and voting rights of MTG Service Single Member that operates in Greece.

The agreement set forth representation and warranty clauses to cover the Ariston Group against previous undisclosed liabilities not known at the date of the agreement. Ariston Group withheld from the Purchase Price an amount to cover those risks which will be paid to the seller as per the agreement.
The present value of this amount is equal to € 0.2 million and it is classified under non-current liabilities given that the expiry date is in 2026.

Accounting treatment of the Stenkilde VVS earn-out

During the year, the Group signed an Asset Purchase Agreement about a customer list with Stenkilde which foresees a future payment based on the performance of the assets acquired.
The payment is scheduled annually for the five next years.

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

Company	Type	% Ownership	Execution Date	Local Currency	€
Chromagen Group	Reps and Warranties	n.a.	2024	7.5 ILS	2.4
Chromagen Australia	Put and Call	49%	2026	10.9 AUD	6.7
MTG Service Single Member	Reps and Warranties	n.a.	2026	0.2 EUR	0.2
Financial liabilities related to Investments in Subsidiaries					*9.3*
Haas Heating BV	Earn-out	n.a.	2024	1.4 EUR	1.4
Financial liabilities related to Investments in Joint ventures					*1.4*
Stenkilde VVS	Earn-out	n.a.	From 2024 to 2028	1.9 DKK	0.3
Financial liabilities to third parties					*0.3*

6.4 Material accounting policies

i. Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

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

ii. Fair value measurement

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

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

- In the principal market for the asset or liability

Or

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its best use or by selling it to another market participant that would use the asset in its best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

iii. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the income statement in the period in which the expenditure is incurred.
The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.
Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.
An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Goodwill

Goodwill arising from the acquisition of a subsidiary reflects the excess of the acquisition cost over the percentage attributable to the Group, of the fair value of the subsidiary's identifiable assets, liabilities and potential liabilities at the acquisition date (IAS 36). Goodwill is recognised as an asset and undergoes an impairment test on an annual basis, or more frequently if there are events or changes in the circumstances that may result in impairment losses.
For this purpose, the goodwill, if any, resulting at the acquisition date is allocated to each of the cash generating units (CGU), which are expected to benefit from the synergy effects deriving from the acquisition. Any loss in value is identified through valuations that are based on the capacity of each unit to produce financial flows capable of recovering the part of goodwill allocated to it, according to the methods described 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 control is lost in a subsidiary, 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 technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to reliably measure the expenditure during development

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, licences, trademarks 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 an 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 (IAS 38.118) (a) (b):

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

The residual other intangible assets mainly included the purchased customer list with an average useful life of 20 years, amortised on a straight-line basis over the period of the expected future sales from the customer relationship.

iv. Property, plant and equipment

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

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

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

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

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

v. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
The rights of use relating to leases are recognised in a single accounting model to recognise the lease. In accordance with this model, the entity recognizes: (1) assets and liabilities for all leases with a duration of over twelve months; (2) separately in the income statement, the 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 lessee as well as the provisions for removal and dismantling, if any, were taken into account.

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

On the basis of practical expedients, recognition of exemptions for low-value and short-term leases, equal to € 30.2 million for 2023 (€ 14.6 million for 2022), was not considered and € 5.5 million for 2023 (€ 5.2 million for 2022) out of scope IFRS 16 which comprise mainly tolls and rent contracts for IT equipment.

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

Financial liabilities relating to IFRS 16 leases are initially measured at the present value of the lease payments still to be paid.
With respect to some of its leases, the Group has the option to extend or terminate them. The Group applies judgement when assessing whether it is reasonably certain to exercise renewal options. That said, the Group considers all relevant factors that may create an economic incentive to exercise the options to renew or terminate the lease. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances which are within its control and affect whether it can exercise (or not exercise) an option to renew or terminate the lease (e.g. investments in leasehold improvements or specific material changes to the leased asset). In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.
The exercise price for the underlying asset, in the presence of purchase options, and/or the contractual value of the penalties, in the case of early termination of the lease, are included in the value of the financial liability only if their exercise is reasonably certain.
Following initial recognition, financial liabilities relating to IFRS 16 leases are valued using the amortised cost method.
The discount rate at which the lease payments that are still to be paid are discounted is called the lessee's incremental borrowing rate and is equal to the interest rate the lessee would have paid if they had borrowed money to the value of the right of use, with payment terms similar to the contractual duration of the lease in a similar economic environment. Management estimated the discount rate by individual country, on the basis of the contractual duration and the total amount of the current "lease portfolios with similar characteristics".

vi. Impairment of assets

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

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

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

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

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying value and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.
Non-current assets (and disposal groups) are classified as held for sale when the Group expects that their carrying value will be recovered through sale rather than used in its operating activities. This condition is met only when the sale is highly

probable, the asset (or group of assets) is held for immediate sale in its current condition, and Management has committed to the sale, which should occur within 12 months from the date of classification of this item.
Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.
Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.
Financial activities related to ceased or discontinued operations, net of tax effects, are recognised under one single item in the consolidated income statement, including the comparative data of the relevant period.

viii. Investments in associates

Investments in associates are recognised according to the equity method, starting from the date of the significant influence by the Group up to the time when this influence ceases to exist, as described in the previous paragraph "Principles and basis of consolidation".

ix. Financial instruments - initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

- 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;
- Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the Income statement. This category mainly includes derivative instruments.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.
With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section (e) Revenue from contracts with customers.

The Group envisages, as per the provisions of the new IFRS 9, the treatment of non-strategic investments and investment funds shares at FVTPL; while other investments, which are considered strategic, are treated individually and, at the moment, are all valued at FVTOCI.

Contingent consideration classified as an asset (or liability) that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the income statement.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

- Financial assets at amortised cost (debt instruments)
  Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include trade receivables, a loan to an associate and a loan to a director included under other non-current financial assets. Trade receivables originate in the ordinary course of business and are held within a business model with the objective to hold the receivables in order to collect contractual cash flows that meet the 'solely payments of principal and interest' criterion under IFRS 9, therefore they are measured at amortised cost using the effective interest rate method. The Group applies the amortised cost only for trade receivables with maturities greater than one year and are discounted to present value.

- Financial assets at fair value through OCI (debt instruments)
  For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to the income statement. The Group's debt instruments at fair value through OCI include investments in quoted debt instruments included under other non-current financial assets.

- Financial assets designated at fair value through OCI (equity instruments)
  Upon initial recognition, the Group can elect to irrevocably classify its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to the income statement. Dividends are recognised as other income in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to irrevocably classify its non-listed equity investments under this category.

- Financial assets at fair value through profit or loss
  Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the income statement when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has substantially transferred all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions – refer to sub-paragraph 'xxi. - Significant accounting judgements, estimates and assumptions'
- Trade receivables, including contract assets as described below

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).
For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

- Financial liabilities at fair value through profit or loss
  Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities as at fair value through profit or loss also include derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition and only if the criteria in IFRS 9 are satisfied.

- Financial liabilities at amortised cost (loans and borrowings)
  This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Derivatives

The Group uses financial derivative instruments mainly to hedge its exposure to exchange rate risk, interest rate risk and commodity price fluctuation risk.
With reference to the classification of hedging transactions, the provisions of IFRS 9 require that:

- there is an economic relationship between the hedged item and the hedging instrument, such as to offset the related changes in value;
- this ability to offset is not undermined by the counterparty's credit risk level;
- a ratio between the hedged object and the hedging instrument (the so-called hedge ratio) is defined, in line with the derivatives risk management objectives, as part of the established derivatives risk management strategy, rebalancing where necessary.

Changes in the derivatives risk management objectives, the termination of the above conditions to classify hedging transactions or rebalancing lead to the future, total or partial, discontinuation of the hedge.

Financial instruments are recognized according to hedge accounting rules when:

- at the beginning of the hedging, the formal designation and documentation of the hedging exist;
- the hedging is assumed to be effective;
- the effectiveness can be accurately measured and the hedging itself is highly effective during the relevant periods.

The Group applies the cash flow hedge (IFRS 9), if the hedging relationship of changes in the cash flows originating from an asset or liability or a future transaction (hedged underlying element), which is deemed as likely to occur and could have an impact on other comprehensive income and equity (cash flow hedge reserve), is formally documented.
Changes in the value of the derivatives designated as fair value hedges 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 the hedged item.

x. Inventories

Inventories are recognised at the lesser value between purchase and production cost, according to the weighted average cost method and their net realisable value.
Cost includes direct materials and direct labour general production costs and other costs incurred to bring inventories to their current location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.
Lastly, some obsolete stock provisions are calculated for materials, finished goods and spare parts that are considered obsolete or slow moving, keeping into account their expected future use and realisable value.

xi. 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 with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. This item also includes the collection and payment instruments that have been subject to an account recording at the servicing financial institution as at the closing date of the period notwithstanding any subsequent different accounting records.

xii. Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the Income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any gain or loss resulting from subsequent sales is recognised in equity.

xiii. Provisions for risks and charges

General

The Group recognises provisions for risks and charges when it has a present obligation, either legal or constructive, toward third parties arising from a past event, and it is likely that it will be necessary to use the resources of the Group to meet the obligation, and when it is possible to make an accurate estimate of the amount of the obligation itself.
When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Changes in estimates are reflected in the income statement of the period when the change has occurred.
Disclosures about provisions follow IAS 37 (paragraph 92) which regulates and limits these indications when they might prejudice the company's position in any disputes.

Uncertain tax position

IFRIC23 'Uncertainty over Income Tax Treatments' to clarify the accounting for uncertainties in income tax is applied.
The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

In the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it has used or plans to use in its income tax filling.

If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

In case facts and circumstances changes, the entity shall reassess its judgements and estimates.

Warranty provisions

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold, or the service is provided to the customer. Initial recognition is based on historical experience. The estimate of warranty-related costs is revised annually.

Restructuring provisions

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features.

xiv. Employment benefits

Group companies provide post-employment benefits to staff, both directly and by contributing to external funds.
The procedures for providing these benefits vary depending on the legal, fiscal and economic conditions in each country in which the Group operates.
Employee benefits are accounted under IAS 19 and IFRS 2.
Group companies provide post-employment benefits through defined contribution and/or defined benefit plans.

Post-employment benefits

i. Defined benefit plans

The Group's obligations and the annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method.
The net cumulative value of actuarial gains and losses is recorded directly in the statement of other comprehensive income and is not subsequently recognised in the income statement. The costs associated with an increase in the present value of the obligation, as the time for payment of the benefits draws nearer, are included under financial expenses. Service costs are posted to the income statement.
The liability recognised represents the present value of the defined benefit obligation, less the present value of plan assets. If an amendment to the plan changes the benefits accruing from past service, the costs arising from past service are recognised in the income statement at the time the change to the plan is made. The same treatment is applied if there is a change to the plan that reduces the number of employees or that amends the terms and conditions of the plan (the treatment is the same, regardless of whether the final result is a profit or a loss).

For defined benefit plans, remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit/contribution liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit/contribution liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods.
Past service costs are recognised in the income statement on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit/contribution liability or asset. The Group recognises the following changes in the net defined benefit/contribution obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in the consolidated income statement (by nature):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

ii. Defined contribution plans

Since the Group fulfils its obligations by paying contributions to a separate entity (a fund), with no further obligations, the company records its contributions to the fund in respect of employees' service, without making any actuarial calculation.
Where these contributions have already been paid at the reporting date, no liabilities are recorded in the financial statements.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the income statement for a period represents the movement in cumulative expense recognised at the beginning and end of that period. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.
No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

xv. Grants

Government grants, obtained against investments, are 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.
When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.
When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to the income statement over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

xvi. Revenue and income

Revenue is recognised when control of the goods and services has been transferred and the Group's performance obligations to its customers have been satisfied. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring goods or providing services. The timing of when the Group transfers the goods or services to the customer may differ from the timing of the customer's payment. Revenues are stated net of discounts, allowances, settlement discounts and rebates.
The Ariston Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. Contractual warranties required by law do not represent a separate performance obligation and the cost of such warranties is recognised at the time of the transfer of control of the related good.
The Group also provides extended warranty. These service-type warranties are sold either separately or bundled together with the sale of products and represent a separate performance obligation, in accordance with accounting principle IFRS 15. The revenue from extended warranties is generally recognised over the time, on the basis of the period in which the service is provided.
Ariston Group revenue streams are described in the following table.

Revenue stream	Revenue stream description	% Revenues 2023	% Revenues 2022
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. The Group acts as principal.	79%	73%
DIY (Do it yourself)	Customers are large retailers. 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. The Group acts as principal.	5%	7%
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.). The Group acts as principal.	6%	8%
Service	Indirect service: maintenance and repair services offered through Technical Support to the end customer. Direct service: maintenance and repair services offered directly to the end customer. Spare Parts: Related to Service activities (in PL reported as Net Revenue from Sales). The Group acts as principal.	10%	12%
Total		**100%**	**100%**

Assets and liabilities arising from rights of return

Right of return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Regarding the use of significant assumptions refer to sub-paragraph '*Revenue recognition'* included in the paragraph '*Significant assumptions'.*

xvii. Taxes

Current income tax

Current taxes are based on the taxable income for the year. The taxable income is different from the profit/loss 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 income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred taxes are those that the Group expects to settle or recover based on the temporary differences between the carrying value of assets and liabilities and their corresponding tax values used for calculating taxable income. They are 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 liabilities are recognised for all taxable temporary differences, except:

- if the temporary differences derive from goodwill or the initial recognition (not in business combinations) of other assets or liabilities in transactions that do not affect the profit (loss) for the year or the taxable income;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at each reporting date and impaired, if it is no longer probable that sufficient taxable income exists that can enable recovery of all or part of the assets.
In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.
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.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

xviii. Earnings per share

The basic earnings per share are calculated by dividing the portion of profit/loss attributable to the Group by the weighted average of the outstanding shares of the year.
The diluted earnings per share are calculated by taking into account, both as regards the portion of profit/loss attributable to the Group and the above-mentioned weighted average, the impact deriving from the total subscription/conversion of all potential shares that may be issued through the exercise of outstanding options.

xix. Dividends

Dividends are recognised as changes in equity in the year when the Group's unconditional right to receive payment arises, that is when the general meeting approves the distribution of dividends.

xx. Transactions in a foreign currency

Should a company in the Group have a monetary item to be received or to be paid in regard to another foreign subsidiary, for which settlement is not planned nor is it likely that it may occur in the foreseeable future and is substantially part of the entity's net investment in this foreign operation, it is recognised in accordance with the provisions of IAS 21 (paragraphs 32 and 33). This envisages the treatment of the related differences in exchange rates be recognised under the items of the statement of comprehensive income in the consolidated financial statements which include this foreign operation.

xxi. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Group included the renewal period as part of the lease term for leases of plant and machinery with a shorter non-cancellable period. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

When the carrying amount of property, plant and equipment, intangible assets, right-of-use assets, goodwill and investments in associates/joint ventures exceeds its recoverable amount, which is the higher of the fair value less costs of disposal and the value in use, the assets are impaired. Such impairments are carried out in accordance with the provisions of IAS 36, as described in greater detail in note 2.1. In order to determine the recoverable amount, the Group generally adopts the value in use criterion. Value in use is based on the estimated future cash flows generated by the asset, discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and of the specific risks of the asset. Future cash flows used to determine value in use are based on the most recent business plan, approved by the management, containing forecasts for volumes, revenue, operating costs.
Regarding climate-related matters, the expected future cash flows incorporated certain climate-related risks to pursue the Group's global sustainability strategy. For further details about climate change, please refer to the following note 'Climate Change'. These projections cover the next three years. For subsequent years, the assumption is perpetual income. Nevertheless, possible changes in the underlying assumptions on which the calculation of such amounts is based could generate different recoverable amounts. The analysis of each group of non-financial assets is unique and requires management to use estimates and assumptions considered prudent and reasonable in the specific circumstances.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by geography, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and in forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in 'Credit Risk' included in section '6.4 - Other information'.

Taxes

Income taxes include all taxes based upon the taxable profits of the Group. Taxes on income are recognised in the income statement except to the extent they relate to items recognized directly in equity or in other comprehensive income, in which case the related tax effects are recognised directly in equity or in other comprehensive income. Deferred taxes are calculated on temporary differences between the tax base of an asset or liability and the carrying amounts in the Consolidated Financial Statements, Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent it is probable future profits will be available against which they can be utilised. Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and where there is a legally enforceable right of offset. Deferred tax assets and liabilities are measured at the enacted or substantively enacted tax rates of the relevant tax jurisdictions that are expected to apply to taxable income during the period or periods in which the temporary differences reverse. Other taxes not based on taxable profits, such as property taxes and taxes on capital, are included in operating expenses. Further disclosures are in 'Note 1.12 – Taxes' and in 'Notes 2.4 – Deferred tax assets and liabilities'.

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those with excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Further disclosure is in 'Note 3.4 – Post-employment benefits'.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on listed prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. Further disclosure is in 'Financial Instruments' included in section '6.4 - Other information'.

Development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. Further disclosure is in 'Note 2.1 – Intangible assets'.

Revenue recognition - Estimating variable consideration for returns and volume rebates

The Group estimates variable considerations to be included in the transaction price for the sale of goods with rights of return and volume rebates.
The Group has developed a statistical model for forecasting sales returns. The model uses the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to the historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to a rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.
The Group applied the statistical model for estimating expected volume rebates for contracts. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group. Further disclosure is in 'Note 3.13 – Other current liabilities'.

Leases - Estimating the incremental borrowing rate

The Incremental Borrowing Rate (IBR) is defined as the interest rate the lessee would incur to borrow under a secured loan with terms similar to those of the lease, with a similar security and in a similar economic environment. This interest rate is identified through the Bloomberg database by applying the following relevant criteria to enhance the comparability:

- The credit rating;
- The term of the loan;
- The currency of denomination;
- The geographies (depending on the cases, countries or regions);
- The industry of the borrowing entity.

In order to obtain statistically significant samples of comparable transactions, a flexibility in the above criteria shall be preserved and specific adjustments can be made to account for particular comparability factors. When the base rate is negative, a zero floor to the base rate is applied.

For more information on leases, please see note 2.2 and 3.5.

Contingent liabilities

The Group triggers provisions once pending or threatened disputes or legal proceedings are considered as a probable event, for which there could be an outflow of funds with the amount reasonably estimated. If an outflow of funds becomes possible but the amount cannot be estimated, the matter is disclosed in the notes to the Consolidated Financial Statements. The Group could be subject of legal and tax proceedings from various jurisdictions and for complex issues therefore eventually monitoring the status of pending legal proceedings consulting with experts on a regular basis. Due to the uncertainty inherent in such matters, it is difficult to predict the outflow of funds that could result from such disputes with any certainty.

Climate change

Global climate change is resulting, and is expected to continue to result, in natural disasters and extreme weather, such as drought, wildfires, storms, sea-level rise, flooding, heat waves and cold waves, occurring more frequently or with greater intensity. Such extreme events are driving changes in market dynamics, stakeholder expectations, local, national and international climate change policies and regulations.

In the climate change context, the Ariston Group is moving towards anticipating structural changes driven by regulations and the market. Our goal is to continue designing and offering highly energy efficient solutions, which increasingly rely on renewable sources of energy, while improving the efficiency of the installed park. The Group can act as a principal in the context of decarbonisation as an enabler of climate change mitigation.

To achieve this across all our product lines, we are channelling investments in R&D, production capacity and the necessary skills and resources needed to contribute to the transition, which will lead to a significant avoidance of CO2 emissions. The Group effort in boosting highly efficient products and solutions that rely on renewable technology will also contribute to the reduction of Scope 3 emissions, whose greatest impact is generated by the use of sold products.

In applying the Accounting Standards, the Group summarised the impacts arising from climate change topic by topic, providing the approach used by the Group.

Account	Approach
Estimates and judgments concerning climate change	• The Management adopted a critical approach in using the estimates and judgments with regard to climate change • The Management adopted a critical approach in using the estimates and judgments based on the multi-peril preliminary analysis of natural hazards and exposures performed by insurance companies • The Management focused on estimating expected cash flows from specific assets/CGUs
Sustainable investment	Ariston Group is directing significant investments towards heat pumps, working hard to open new markets and supporting their mass roll-out, also considering the higher purchase price with respect to other solutions and the different features in existing buildings. With regards to electric heat pumps, which rely on an electrically-driven vapour compression cycle, transporting heat through refrigerant gases from the source to the sink, the Group is looking to replace currently used refrigerant gases with natural ones that have a much lower Global Warming Potential (GWP). These include propane, a group of liquefied petroleum gases, the suitability of which is still being researched with products likely being released in upcoming years. Further, the Wolf-Brink business combination contributed to the increase of Ariston Group's ESG focus, reinforcing its portfolio of brands and its mid- to high-end offer of climate solutions.

6.5 Changes in accounting standards

The accounting policies adopted in the preparation of the Consolidated Financial Statements as of 31 December 2023 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. 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 2023, but do not have an impact on the Consolidated Financial Statements of the Group.

i. Summary of the new accounting standards adopted by the Group from 1 January 2023

As from 1 January 2023 the following amendments of accounting standards have become applicable to the Group:

- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*
  The IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current by clarifying:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  These amendments were applied for the first time in 2023 with the disclosures of these consolidated financial statements, which were adapted accordingly.

- *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*
  In February 2021 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS *Practice Statement 2: Disclosure of Accounting policies* which require companies to disclose their material accounting policy information rather than their material accounting policies and provide guidance on how to apply the concept of materiality to accounting policy disclosures.
  Ariston has updated the Consolidated Financial Statements in compliance with these amendments.

- *Definition of Accounting Estimates - Amendments to IAS 8*
  In February 2021 the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* which clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.
  These amendments had no impact on the Consolidated Financial Statements of the Group because there were no changes in accounting policies and accounting estimates.

- *IFRS 17 - Insurance Contracts*
  In May 2017 the IASB issued IFRS 17 *Insurance Contracts*, which establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued as well as guidance relating to reinsurance contracts held and investment contracts with discretionary participation features issued. In June 2020 the IASB issued amendments to IFRS 17 aimed at helping companies implement IFRS 17 and make it easier for companies to explain their financial performance.
  The new standard and amendments had no impact on the Consolidated Financial Statements of the Group given that Ariston did not issue any insurance contracts.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12*
  In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

These amendments had no impact on the Consolidated Financial Statements of the Group because the accounting in place was already in line with amendments required.

- *International Tax Reform - Pillar two model rules - Amendments to IAS 12*

  On 23 May 2023 the IASB issued the International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 to provide relief to entities impacted by the Base Erosion and Profit Sharing (“BEPS”) Pillar Two model rules. The amendments aim to avoid inconsistent interpretations of IAS 12 Income Taxes and to improve the information provided to users of financial statements before and after Pillar Two legislation comes into effect. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules. The amendments also include disclosure requirements to help users of the financial statements to better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date. The mandatory temporary exception was effective immediately upon issuance of the amendment, while the disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. On 8 November 2023, the EU Regulations 2023/2468 has adopted the IAS 12 Pillar Two changes.

  For further information please refer to ‘Note 1.12 – Taxes’.

ii. Accounting standards, amendments and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s Consolidated Financial Statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- *Lease Liability in a Sale and Leaseback – Amendments to IFRS 16*

  In September 2022, the International Accounting Standards Board (IASB) issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

  Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in the income statement any gain or loss relating to the partial or full termination of a lease.

  The new amendments are effective on or after 1 January 2024. The amendments are not expected to have a material impact on the Group.

- *Classification of debt with covenants – Amendments to IAS 1*

  In October 2022, the International Accounting Standards Board (IASB) issued amendments to ‘IAS 1 — Presentation of Financial Statements: Non-current Liabilities with Covenants’, that clarify how conditions which an entity must comply with within twelve months after the reporting period affect the classification of a liability.

  The new amendments are effective on or after 1 January 2024. The amendments are not expected to have a material impact on the Group.

- *Supplier finance arrangements – Amendments to IAS 7 and IFRS 7*

  On 25 May 2023, the IASB issued Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) to add disclosure requirements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments are intended to enable users of financial statements to assess the effects of those arrangements on the entity’s liabilities and cash flows and on the entity’s exposure to liquidity risk.

  The amendments require an entity to disclose the following for its supplier finance arrangements:

  - the terms and conditions of the arrangements

- the carrying amounts and associated line items of financial liabilities in the statement of financial position that are part of a supplier finance arrangement, with a breakdown of the amounts for which the suppliers have already received payment from the finance providers
- ranges of payment due dates; and
- liquidity risk information.

The Group is evaluating the potential impact from the adoption of these amendments.

- *Lack of Exchangeability – Amendments to IAS 21*

  On 15 August 2023, the IASB issued Lack of Exchangeability (Amendments to IAS 21). The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when there is no exchangeability, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

  The new amendments are effective on 1 January 2025. The Group is evaluating the potential impact from the adoption of these amendments.

6.6 Disclosure to the Financial Statements

This section details the results and performance for the period ended 31 December 2023.
During the year ending 31 December 2023 certain reclassifications on the consolidated accounts were recorded for a better representation of the business transactions within the nature accounts lines and therefore the comparative Financial
Statements. These reclassifications impacted the "Services" and "Provisions" accounts.

6.6.1 Income statement

Note 1.1 – Revenue and Income

During 2023, the Group recorded revenue of € 3,091.8 million, compared to € 2,378.8 million in the previous year, with an increase of € 713.0 million (+30.0%).

The increase arises from the organic growth of the Group and from a perimeter variation related to the business combination with Wolf-Brink concluded in January 2023. The Revenue item can be broken down as follows:

Revenue and Income *(in € million)*	31.12.2023	31.12.2022
Revenue from sales	2,903.2	2,223.7
Revenue from services	174.2	140.5
Other revenue	14.4	14.6
Net revenue	**3,091.8**	**2,378.8**
Other revenue and income	58.3	42.7
Total	3,150.1	2,421.5

"Other revenue and income" totalled € 58.3 million at 31 December 2023 and € 42.7 million at 31 December 2022.
"Other revenue and income" is represented by items that do not directly refer to the production activities of the Group but are all the same connected to the core business.
They included income related to no longer due payables, the gains on the disposal of fixed assets, and other income.
At 31 December 2023, they totalled € 58.3 million, an increase of € 15.6 million compared to the same period of the previous year, mainly due to an insurance reimbursement linked to the extraordinary flash floods which occurred on 15 September 2022 in Marche region in Italy and to a perimeter variation.

Revenue by business line

Thermal Comfort. Serves the Group's three main business categories, Hot Water, Heating and Air Treatment, and represents the Group's largest division, recording revenue for 2023 of € 2,910.5 million, or 94.1% of total revenue, compared to € 2,187.4 million in 2022, or 92.0%, up € 723.1 million or 33.1% (of which -2.0% organic and foreign exchange impact). On 2 January, the Ariston Group completed the acquisition of Wolf-Brink (previously called "CENTROTEC Climate Systems") which is included in the Ariston Group's perimeter starting from January 2023. The revenue increase related to the perimeter variation as at 31 December 2023 is equal to € 808.2 million, entirely included in the Thermal Comfort perimeter. Wolf-Brink is active mainly in Germany and the Netherlands with the Wolf, Brink and Nedair brands in the heating, air handling and ventilation industries.

Components. Recorded net revenue of € 88.4 million for 2023, or 2.9% of total net revenue, compared to € 95.5 million in 2022, or 4.0%, down € 7.1 million or 7.4% (of which -6.6% organic and foreign exchange impact). The decrease in revenue was driven by a slowdown both in the Professional business due to a general crisis on the Ho.Re.Ca market and in Domestic business due to customers' high stock levels.

Burners. Recorded net revenue of € 92.9 million for 2023, or 3.0% of total net revenue, compared to € 95.9 million in 2022, or 4.0% of total revenue, with a € 3.0 million or 3.1% decrease (of which -3.0% organic and foreign exchange impact). The lower turnover is essentially due to a strong market slowdown in France and China that leads to a decrease in volumes partially offset by price increases and a more favourable mix.

Net revenue by geographical area

At 31 December 2023 the net revenue by main country is detailed below:

Country	2023	2022
Netherlands (country of domicile)	132.5	56.6
Germany	811.7	110.2
Italy	310.6	374.6
France	230.0	219.9
Other countries	1,607.0	1,617.5
Total	3,091.8	2,378.8

Europe. Represents the Group's largest market, recording net revenue of € 2,281.4 million for 2023, or 73.8% of total revenue, compared to € 1,536.7 million, or 64.6%, in 2022, up € 744.7 million or 48.5% (of which -2.8% organic and foreign exchange impact). The decrease was entirely driven by the strong heating market slowdown in Italy due to the end of a government incentive scheme on renewable and high efficiency products. The growth on some important markets – such as Germany, Switzerland, and France – was not able to compensate the strong heating market slowdown in Italy. On the water heating side with general stability in terms of volumes, the performance was driven by pricing that offset an unfavourable mix effect.

Asia, Pacific & MEA. Represents the second largest market for the Group, recording net revenue of € 535.9 million for 2023, or 17.3% of total revenue, compared to € 541.8 million, or 22.8%, in 2022, down € 5.9 million or -1.1% (of which 4.2% organic and foreign exchange impact). The decrease was driven by the negative effect of the local currencies (mainly Chinese Renminbi, Australian Dollar, Israeli Shekel and South African Rand). The organic growth was driven by a booming water heating renewable market in Australia fuelled by a government incentive scheme and an overall positive effect on prices, partially offset by lower volumes essentially due to the decision to exit the Chinese domestic water heating market starting from Q2 2023.

Americas. Represents the Group's third largest market and reported revenue of € 274.5 million for 2023, or 8.9% of total net revenue, compared to € 300.3 million, or 12.6%, in 2022, with a decrease of € 25.8 million, or -8.6% (of which -10.3% organic and foreign exchange impact). The decrease was due to a strong reduction on the US and Canadian heating market.

On the water heating business the high level of customers' stock led to substantially stable volumes with a positive effect from prices associated with an unfavourable mix.

Furthermore, the Group decided to stop its activities on the Argentinian market.

Note 1.2 – Raw materials, consumables and goods for resale

At 31 December 2023, the purchase cost of "Raw materials, consumables and goods for resale" amounted to € 1,475.8 million, up by € 232.5 million compared with the same period of the previous year.

As a percentage of net sales, the trend in purchases and the change in inventories shows a decrease from 48.4% in 2022, to 46.5% in 2023, mainly driven by better raw material cost absorption and the Wolf-Brink business contribution.

Note 1.3 – Services

“Services” amounted to € 517.3 million versus € 464.0 million at December 2022, up by € 53.3 million, and can be detailed as follows:

Services *(in € million)*	31.12.2023	31.12.2022
Logistics and transport	149.7	158.1
Sub-contracted work and maintenance	103.0	77.3
Advertising and promotion	47.6	41.2
Consulting services	37.9	28.6
Utilities	36.6	29.6
Rental and lease expenses	35.7	19.8
Travel expenses	29.0	14.8
Bonuses and commissions	27.8	31.7
Insurance	13.7	10.0
Facilities management services	10.8	12.5
Directors and Statutory Auditors' Fees	7.7	7.6
Technical support	4.4	16.9
Other services	13.4	16.0
Total	517.3	464.0

The service fee increased in absolute terms due to the perimeter variation since the acquired Wolf-Brink added service costs for € 80.8 million. In an organic view, the service fees decreased by € 27.6 million.

As a percentage of net sales, they stood at 16.7%, lower than the 19.5% recorded in 2022. The Group's continued expansion in the various Climate Solutions sectors had an impact on the variable costs related to sales and production during 2023. The increases were primarily seen in "Subcontracted work and maintenance" (an increase of € 25.7 million), "Advertising and promotion" (an increase of € 6.4 million), and "Consulting services" (an increase of € 9.3 million) but offset by a decrease in "Logistic and transport" for € 8.4 million.

Note 1.4 – Personnel

A breakdown of personnel costs by nature is shown in the table below:

Personnel *(in € million)*	31.12.2023	31.12.2022
Wages and salaries	535.3	362.5
Social security costs	116.3	77.2
Provision for Employees severance indemnity	9.1	7.2
Provision for retirement benefits and other funds	-0.9	-1.0
Other personnel costs	14.8	13.2
Total	674.6	459.0

In December 2023, costs related to “Personnel” amounted to € 674.6 million, up by € 215.6 million compared with the same period of the previous year, due to the regular trend in salary inflation (fixed and variable components) in the various countries where the Group operates, as well as the organisational changes and the acquisition of Wolf-Brink in January 2023.

“Wages and salaries” totalled € 535.3 million at 31 December 2023 and € 362.5 million at 31 December 2022.

“Provision for Employees severance indemnity” and “Provision for retirement benefits and other funds” include the net impact of accruals and releases for the period.

At 31 December 2023, the Group's workforce increased from 7,975 at 31 December 2022 to 10,769.

The headcount by category of employee as follow:

Headcount *(number of people)*	31.12.2023	31.12.2022	Average	Delta
Managers and white collars	5,837	4,059	4,948	1,778
Blue collars	4,932	3,916	4,424	1,016
Total	10,769	7,975	9,372	2,794

The Wolf-Brink acquisition added 2,792 employees to Ariston Group's headcount.

At 31 December 2023, the number of employees was 10,769 (7,975 at 31 December 2022) of whom 1,976 (1,847 at 31 December 2022) were based in Italy, 8,159 (5,834 at 31 December 2022) were based all around the world and 634 (294 at 31 December 2022) were based in the Netherlands.

Note 1.5 – Additions and release of provisions

During 2023, "Additions and release of provisions" were recognised for € 67.8 million versus € 31.2 million in the same period of 2022. In detail:

Additions and release of provisions *(in € millions)*	31.12.2023	31.12.2022
Product warranty	50.3	28.3
Bad debt	3.7	-0.6
Installation	2.1	3.4
Legal disputes	2.1	-0.4
Restructuring	-1.6	0.6
Other	11.3	-0.1
Total	67.8	31.2

The increase is mainly due to the warranty provision, legal and other provisions while the other items are basically in line with the same period of the previous year.
The increases are mainly related to the perimeter variation following the Wolf-Brink acquisition. The perimeter variation led to higher provisions for warranties (€ 18.9 million), legal disputes (€ 1.9 million) and other risks (€ 7.5 million).
For further details about movements in the period, refer to 'Note 2.9 – Trade Receivables' for 'Bad Debt provision' and 'Note 3.3 - Non-Current Provisions'.

Note 1.6 – Other operating expenses

"Other operating expenses" amounted to € 32.5 million, versus € 30.4 million of the same period in the previous year, and can be detailed as follows:

Other operating expenses *(in € million)*	31.12.2023	31.12.2022
Non-income tax and other levies	11.5	10.8
Concession rights and other	4.1	2.6
Losses on receivables	0.9	0.9
Losses on assets	0.3	0.9
Other operating expenses	15.7	15.2
Total	32.5	30.4

This item includes all ordinary operating expenses that cannot be recognised under other items.

'Other operating expenses' mainly included office supplies, printing, subsidies, and contributions.

Note 1.7 – Operating profit

In December 2023 "Operating profit", amounted to € 285.7 million compared to € 193.7 million as of December 2022. The significant increase is explained by the above detailed variances.
During 2023 Operating profit (EBIT) confirmed the favourable trend of the previous year, more specifically in the rising mix and price effect. In addition, the contribution of Wolf-Brink and a better absorption of raw material and logistic costs, led to an increase in the percentage of EBIT to net revenue of +1.1pts compared to 2022.

Note 1.8 – Financial income

In 2023, "Financial income" amounted to € 11.6 million, a better result than the previous year when the same item amounted to € 6.0 million. The item is as follows:

Financial income *(in € million)*	31.12.2023	31.12.2022
Interest Income from bank	6.2	2.9
Employee benefits	3.7	0.6
State Green Programmes	1.1	2.2
Other financial income	0.6	0.3
Total	11.6	6.0

The year-on-year change was largely attributable to the item "Interest income from bank", resulting from an increase in interest rate conditions remunerating our liquidity. The other items making up the total were largely unchanged.

Note 1.9 – Financial expense

"Financial Expense" amounted to € 44.0 million at the end December 2023 versus € 15.7 million realised in 2022. This line item can be detailed as follows:

Financial expense *(in € million)*	31.12.2023	31.12.2022
Interest and other expenses due to bank	32.9	10.3
Employee benefits	7.0	1.4
Leases	2.9	1.9
Business Combinations	1.0	1.4
Other financial expense	0.3	0.7
Total	44.0	15.7

Compared to the previous year, "Financial Expense" increased by € 28.3 million, mainly due to "Interest and other expenses due to bank" reflecting the impact of the debt raised to fund the Wolf-Brink acquisition along with the interest rate hikes in 2023.

Note 1.10 – Exchange rate gains/losses

"Exchange rate gains/losses" showed a positive result of € 1.5 million, which can be broken down as follows:

Exchange rate gains/losses (in € million)	31.12.2023	31.12.2022
Exchange rate gains	16.1	43.2
Exchange rate losses	-16.6	-52.1
Unrealised exchange rate gains	3.0	7.5
Unrealised exchange rate losses	-1.0	-7.5
Total	1.5	-8.9

"Exchange rate gains/losses" include the monetary changes on the accounting entries that were realised at the end of the reporting period; "Unrealised exchange rate gains" and "Unrealised exchange rate losses" include the monetary changes that are not yet realised because they refer to financial transactions that were not closed at the end of the reporting period.

The result for the period relating to realised and unrealised exchange differences on financial transactions was mostly positive due to the revaluations of the Swiss Franc against the Euro.

Note 1.11 – Profit (loss) on investments

The item "Profit (loss) on investments" was negative for € 1.3 million, down by € 6.0 million compared with the previous year, mainly due to the remeasuring of the value in an "Investment company in risk capital (SICAR) provision", with the recognition in the income statement of any valuation differences.

As at December 2022 the Put and Call option of HTP Comfort Solutions LLC was equal to € 4.9 million and was executed in May 2022.

Note 1.12 – Taxes

Tax expense (income) and the related profit before tax for the years ended as at 31 December 2023 and 2022 consisted of the following:

Taxes (in € million)	2023	2022	Delta
Profit before taxes	253.6	179.8	73.8
Current taxes	72.3	41.3	31.0
Deferred taxes	-9.9	-1.7	-8.2
Total taxes	62.4	39.5	22.9

In 2023 total taxes of € 62.4 million show a significant increase in comparison to the 2022 taxes of € 39.5 million, equal to € 22.9 million, mainly deriving from the increase in the profit before taxes of €73.7 million. The reason for the profit increase lies in the ACS acquisition that significantly contributed to Group profitability in 2023, leading to a corresponding increase in taxes.

For the same reason, the 2023 current taxes show an increase of € 31.0 million compared to current taxes in 2022, partly offset by an increase in deferred taxes for € 8.1 million.

Ariston Holding N.V. is incorporated in the Netherlands but is a tax resident of Italy. The reconciliation of the differences between the theoretical income taxes at the parent local rate and total income taxes is presented based on the Italian local corporation income tax rate in force in 2023 of 24%. A reconciliation of Ariston's income tax expense for the year ended as at 31 December 2023 is as follows:

Effective tax rate reconciliation *(in € million)*	2023	%
Taxes at nominal Tax Rate	60.9	24.0%
Foreign income at different tax rate	0.7	0.3%
Deferred taxes not recognised and write-down	7.9	3.3%
Italian IRAP	5.9	2.3%
Recognition or use of previously unrecognised DTA	-5.9	-2.3%
Permanent differences	-1.3	-0.5%
Italian revaluation	-4.7	-1.8%
Prior year taxes	-1.2	-0.5%
Other	0.0	-0.2%
Effective Tax Charge	62.4	24.6%

For comparative purposes, here below is a reconciliation of Ariston's income tax expense for the year ended as at 31 December 2022:

Effective tax rate reconciliation *(in € million)*	2022	%
Taxes at nominal Tax Rate	43.2	24.0%
Foreign income taxed at different rates	-3.5	-1.9%
Deferred taxes not recognised and write-down	2.1	1.2%
Italian IRAP	5.5	3.1%
Recognition or use of previously unrecognised DTA	-1.6	-0.9%
Permanent differences	-1.7	-1.0%
Italian revaluation	-7.2	-4.0%
Prior year taxes	2.3	1.3%
Other	0.5	0.3%
Effective Tax Charge	39.5	22.0%

The 2.6% increase in the 2023 tax rate of 24.6% compared to the 2022 tax rate of 22.0% is mainly a structural increase deriving from the different country mix in which the Group operates after the Wolf-Brink business acquisition. The Wolf-Brink group is highly focussed on Germany, even if it has operations in other EU and non-EU countries and Germany has a level of corporate income tax higher than the average Ariston tax rate. In the tax rate reconciliation, this is reflected in the 2.2% worsening of Foreign income taxed at different rates line which shows the difference between the Italian nominal tax rate (24%) and the foreign entities' nominal tax rate.

The deferred taxes not recognised and write-down derive from the realisation of losses in countries where a deferred tax asset has not been recognised and it includes the write-down of deferred taxes accrued in previous years mainly in the United States. The negative impact has been partially offset by the recognition of previously unrecognised deferred taxes on losses carried forward mainly in Germany.

The 2023 effective tax rate is positively impacted by the on-going net benefit connected to the revaluation of tangible and intangible assets carried out for both Local GAAP and tax purposes in Italy in 2021. In addition to the initial positive impact of the revaluation accrued in the 2021 financial statements and equal to the expected tax benefit for the first five-year business plan, in the 2023 financial statement the expected benefit for the additional year of the new five-year business plan period has been recognised positively thus impacting the tax rate.

Pillar two

The OECD Pillar Two initiative aims to ensure that multinational corporations pay a minimum effective tax rate of 15 percent on a jurisdictional basis. The implementation of the Global Minimum Tax, provided for in Directive No. 2022/2523 of 15 December 2022 (implementing the OECD/G20 Pillar II proposal), is effective in Italy as from 1 January 2024 and it was implemented with Legislative Decree No. 209 of 27 December 2023. The Italian legislation related to Pillar Two will apply to Ariston Holding NV being a Duch company which is fiscally resident in Italy. Many other countries have initiated domestic legislative procedures to enact the related tax legislation as well.

Since the Pillar II regulation is not effective at the 31 December 2023 closing, no current taxes arising from its application have been accounted for in these financial statements. Moreover, the Group has also applied the temporary exception,

introduced in May 2023, regarding the accounting requirements for deferred taxes under IAS 12; therefore, no information on deferred tax assets and liabilities resulting from the application of Pillar II is herein provided.
Given the complexity of the rules outlined in the above legislation, for the first three tax periods (for the Ariston Group - financial years 2024 to 2026) the possibility of applying a simplified regime has been provided for (so-called "transitional safe harbours"). This simplified regime is primarily based on the application of three tests (De Minimis test, Simplified Effective Tax Rate test and Routine Profits test) for each jurisdiction. Passing at least one of these tests allows the non-application of Pillar Two's more detailed rules and the reduction in compliance burdens.
Based on the analysis performed in relation to the 2022 safe harbour tests, the Ariston Group's exposure arising from the application of Pillar Two is evaluated as not material. However, the Ariston Group's assessment is in progress in relation to 2023 and it includes the analysis of the application of the transitional safe harbours in the jurisdictions in which the Group operates and the presence of a Pillar Two effective tax rate below 15 percent. The Company expects to complete the assessment in the first half of 2024.

Note 1.13 – Basic and diluted earnings per share

Basic earnings per share are determined as the ratio of the Group's portion of net profits for the year to the weighted average number of ordinary shares outstanding during the year. The Group's treasury shares are included in this calculation for 2023. Diluted earnings per share are determined taking the potential effect resulting from options allocated to beneficiaries of dilutive stock option plans into account in the calculation of the number of outstanding shares.

Basic earnings per share at 31 December 2023 amounted to € 0.52 and are calculated by dividing the net profit for the year attributable to the ordinary shareholders of the Parent Company, of € 191.2 million, by the number of total shares – ordinary and multiple voting – outstanding during the period, that is 371,032,052.

Diluted earnings per share amounted to € 0.51 and are calculated by dividing the net profit for the year attributable to the ordinary shareholders of the Parent Company, of € 191.2 million, by the number of total shares and potential shares to be issued for the LTI plan which totalled 371,886,058.

Basic and diluted earnings per share are calculated as shown in the table below.

		2023	2022
Net profit attributable to ordinary shareholders	€ million	191.2	140.3
Weighted average of ordinary and multiple voting shares outstanding	number	371,032,052	329,827,838
Basic earnings per share	**€**	**0.52**	**0.43**
Net profit attributable to ordinary shares outstanding net of dilution	€ million	191.2	140.3
Weighted average of ordinary and multiple voting shares outstanding	number	371,032,052	329,827,838
Potential shares to be issued for LTI plan	number	854,006	1,131,189
Weighted average of ordinary and multiple voting shares outstanding net of dilution	number	371,886,058	330,959,027
Diluted earnings per share	**€**	**0.51**	**0.42**

Atypical or unusual transactions

During the year 2023, Ariston Group did not undertake any atypical or unusual transactions.

6.6.2 Statement of financial position - Assets

Note 2.1 – Intangible assets

At 31 December 2023, "Intangible assets" amounted to € 1,512.4 million, up by a net € 1,069.8 million compared to 31 December 2022, net of the amortisation expense for the period of € 45.0 million, in addition to other changes.

The amortisation expense for the period is recognised under the appropriate item in the income statement.

Changes during the period are shown in the table below:

Intangible assets *(in € million)*	Goodwill	Other intangible assets	Total
Cost net of accumulated impairment losses	312.7	254.0	566.7
Accumulated amortization		-124.0	-124.0
As at 31.12.2022	**312.7**	**130.0**	**442.7**
Perimeter variation	588.9	491.1	1,080.1
Increases	0.0	30.2	30.2
Decreases	0.0	-0.1	-0.1
Remeasurements and Impairment	0.0	-1.1	-1.1
Amortisation	0.0	-45.0	-45.0
Exchange rate effect	2.8	2.2	5.0
Other	-10.4	11.1	0.8
Total changes	581.4	488.4	1,069.8
Cost net of accumulated impairment losses	894.1	780.2	1,674.3
Accumulated amortization		-161.8	-161.8
As at 31.12.2023	**894.1**	**618.3**	**1,512.4**

The net total amount of goodwill was € 894.1 million, compared to € 312.7 million at 2022 year-end, and shows a change largely due to:

- Goodwill arising from the business combination with Wolf-Brink, amounting to € 587.6 million. Refer to 'Note 2.1.1 – Business combinations' for further details.
- Goodwill arising from the business combination with MTG Service Single Member, amounting to € 1.3 million. Refer to 'Note 2.1.1 – Business combinations' for further details.
- The changes in exchange rates, positive for € 2.8 million.

The total amount of goodwill recognised in the statement of financial position is not amortised but is subject at least annually to an impairment test (together with the other intangible and tangible assets) to assess its recoverability, as envisaged by IAS 36.
Therefore, the goodwill has been allocated to the cash generating units (CGU) from which future economic benefits related to the acquisition are expected.
Consequently, at 31 December 2023, the impairment test was carried out as described hereinafter.

The item "Other intangible assets" can be detailed as follows:

Other intangible assets *(in € million)*	31.12.2023	31.12.2022
Concessions, licences, trademarks	238.3	49.2
Development costs	48.4	17.5
Intangible assets in progress	31.1	23.7
Software	27.7	17.5
Other	272.7	22.1
Total	618.3	129.9

Details of and changes in “Other intangible assets” are the following:

Other intangible assets *(in € million)*	Development costs	Software	Concessions, licenses, trademarks	Other Intangible Assets	Total
Cost net of accumulated impairment losses	75.1	55.4	55.1	68.4	254.0
Accumulated amortization	-57.6	-37.8	-5.9	-22.7	-124.0
As at 31.12.2022	**17.5**	**17.5**	**49.2**	**45.8**	**129.9**
Perimeter variation	27.8	5.6	184.9	272.9	491.2
Increases	3.3	2.0	1.0	23.8	30.2
Decreases	0.0	0.0	0.0	-0.1	-0.1
Remeasurements and impairment	0.0	0.0	-1.0	-0.1	-1.1
Amortisation	-11.4	-13.1	-1.3	-19.3	-45.1
Exchange rate effect	0.0	0.1	1.2	0.9	2.2
Other	11.2	15.6	4.3	-20.1	11.1
Total changes	30.9	10.2	189.1	258.1	488.3
Cost net of accumulated impairment losses	112.0	76.6	246.0	345.7	780.3
Accumulated amortization	-63.5	-48.9	-7.8	-41.8	-161.9
As at 31.12.2023	**48.4**	**27.7**	**238.2**	**304.0**	**618.3**

Other intangible assets have a definite useful life and are consequently amortised as necessary.

The change in ‘Other intangible assets’ from the start of the period amounted to € 258.1 million and was primarily due to the perimeter variation related to the Wolf-Brink business combination, as a result of which the Group performed the purchase price allocation where customer lists have been recognised for a net amount equal to € 249.0 million. Refer to ‘Note 2.1.1 – Business combinations’ for further details. Additional changes in ‘Other intangible assets’ are related to investments for the period and the exchange rate effect not fully offset by € 19.3 million in amortisation for the period.

Development costs refer to products for which the return on investments occurs within a five-year period, on average. The capitalised costs for the period, attributable only to product development projects, amounted to € 9.5 million (€ 7.5 million in 2022) out of a total of € 48.4 million (€ 17.5 million in 2022) reported in the financial statements. The amount of ‘Development costs’ internally generated is equal to € 13.0 million, while the rest was acquired through business combinations (mainly Wolf-Brink for € 27.8 million).

‘Concessions, licences, trademarks’ increased for € 189.1 million and was primarily due to the perimeter variation related to the Wolf-Brink business combination, as a result of which the Group performed the purchase price allocation where trademarks have been recognised. Trademarks have an indefinite useful life and are subject to impairment testing. For further details, please refer to the next sub-paragraph ‘Impairment Test’.

The Group evaluated the development costs related to products based on the criteria outlined in the Climate Delegated Act only for objective mitigation of climate change. As evidence of the commitment to promote a more efficient and renewable product portfolio, these investments have been capitalised. The impairment of the carrying amount of the development costs previously capitalized was charged to the income statement against the respective products' sales.

In order to determine the loss in value of capitalised development costs, in addition to the assessment of the economic return from each development project, the Group arranged to allocate them to the Net capital employed of the related CGUs and assesses their recoverability together with the related tangible assets, determining their value in use with the discounted cash flow method.

Impairment test

In accordance with IAS 36 - Impairment of Assets, goodwill and intangible assets with indefinite useful lives (Trademarks) are not amortised and are tested for impairment annually or more frequently if facts or circumstances indicate that the asset may be impaired.

Goodwill and intangible assets with indefinite useful lives are allocated to CGUs within the unique operating segment. The impairment test is performed by comparing the carrying and recoverable amount of each CGU to which goodwill has been allocated. The recoverable amount of a CGU is the higher of its fair value less costs of disposal and its value-in-use.

The balance of goodwill and intangible assets with indefinite useful lives recognised by the Company primarily relates to CGU Thermal Comfort (€ 1,114.4 million in 2023 and € 343.9 million in 2022), while other goodwill balances relate to CGUs Burners (€ 12.5 million in 2023 with no variation compared to 2022) and Components (€ 5.5 million in 2023 with no variation compared to 2022).
The balance of goodwill allocated to CGU Thermal Comfort significantly increased compared to 31 December 2022 due to the goodwill from the Purchase Price Allocation process related to the acquisition of Wolf-Brink which occurred in 2023.

In line with previous years, the Group considered the long-term business plan, which includes the latest available financials from the 3-year plan 2024 - 2026 which are approved by the Board, as the base for the impairment test.

The estimate of the recoverable amount for the purposes of performing the annual impairment test for each of the CGU is determined using value-in-use and was based on the following assumptions:

- the expected future cash flows covering the period from 1 January 2024 through 31 December 2026. These expected cash flows reflect the current expectations regarding economic conditions and market trends as well as the Company's initiatives for the period covered by the projections. Regarding climate-related matters, the expected cash flows incorporated certain climate-related risks to pursue the Group's global sustainability strategy. These cash flows relate to the respective CGUs in their current condition when preparing the financial statements and exclude the estimated cash flows that might arise from restructuring plans or other structural changes. Volumes and sales mix used to estimate the future cash flow are based on assumptions that are considered reasonable and sustainable and represent the best estimate of expected conditions regarding market trends and the segment for the respective CGU over the period considered. The expected future cash flows include a terminal period to estimate the future result beyond the time period explicitly considered which incorporated a long-term growth rate assumption of 1.77%. The growth rate is determined by weighting the GDP growth rate at constant prices for the market in which the Group operates, to the revenues obtained in such markets. This GDP growth rate has been obtained from an authoritative international source (IMF, October 2023 release);
- the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU that are not reflected in the estimated future cash flows;
- pre-tax cash flows are discounted using a pre-tax discount rate which reflects the current market assessment of the time value of money for the period being considered, and the risks specific to those cash flows under consideration. The pre-tax Weighted Average Cost of Capital ("WACC") discount rate applied for each CGU is equal to:
    - TCO for 10.64%;
    - BUR for 11.36%;
    - COM for 11.26%.

As part of the impairment test, additional stress tests are performed to assess the Group's capacity to resist any further market shock. The stress tests included:

- a reduction of 5%, 10% and 15% in EBIDTA and Capex over the entire test period and for all markets and brands;
- increase of WACC by +1% and decrease of growth rate by -1%.

Each stress test is performed on a stand-alone basis. Any reasonable possible change for the key assumptions reported above would not cause any impairment loss.

Further, the headroom breakeven point is calculated through both the WACC percentage increase and the cash flow percentage decrease (in order to make it nil); for the reporting period the results are, within the planned horizon:

- WACC percentage increase on a weighted average of more than 31%;
- Cash Flow percentage decrease: Thermal Comfort 34.0%, Burners 46.3%, Components 80.5%.

Assumptions related to the impairment plan

Below is a summary of the main assumptions used within the impairment test for each CGU:

2023	Thermal Comfort (TCO)	Burners (BUR)	Components (COM)
Net invested capital (€/000)	2,505.0	54.0	33.8
Goodwill (€/000)	876.1	12.5	5.5
Growth rate (%)	1.80%	1.18%	1.21%
WACC (%)	10.64%	11.36%	11.26%

2022	Thermal Comfort (TCO)	Burners (BUR)	Components (COM)
Net invested capital (€/000)	1,050.0	50.2	39.3
Goodwill (€/000)	294.7	12.5	5.5
Growth rate (%)	1.91%	1.06%	1.05%
WACC (%)	14.28%	14.33%	15.96%

Impairment test results

The values estimated as described in the above paragraph are determined to be in excess of the carrying amount for each CGU to which goodwill is allocated. As such, no impairment charges were recognised for goodwill and intangible assets with indefinite useful lives for the year ended 31 December 2023.

Note 2.1.1 – Business combinations

Wolf-Brink Business combinations

As mentioned in paragraph '2 - Significant events of the year', on 2 January 2023 (the "closing date"), the Ariston Group completed the acquisition from CENTROTEC SE (the "Seller") of 100% of the share capital of CENTROTEC Climate Systems GmbH (hereinafter the "transaction" and "Wolf-Brink" or the "acquired group").

The acquired group operates through four brands Wolf, Brink, Ned Air and Pro-Klima: Wolf is a pioneer in the development of new-generation heat pumps with natural refrigerants characterised by high efficiency and low noise levels; Brink is a prominent European player in domestic heat-recovery ventilation, while through Pro-Klima and Ned Air the acquired group also operates in air-handling, offering high-efficiency systems for flow control and air conditioning in commercial applications.

Wolf-Brink employs 2,792 people, with solid market positioning in Germany and the Netherlands, and a significant presence in other European markets. Manufacturing plants are located in Germany, the Netherlands and Croatia.

The transaction consideration amounted to € 1,024.5 million and was paid partially in cash and partially in kind through 41.4 million Ariston Holding N.V. shares.

The consideration paid in cash amounted to € 625.8 million: the agreed base cash consideration of € 703 million was adjusted at closing to reflect the actual cash, debt and working capital at the closing date.

With reference to the consideration paid in kind, pursuant to the Board resolution of 15 September 2022 and following the authorisation of the transaction by the general meeting of 19 December 2022, Ariston Holding N.V. executed at the closing date a dedicated capital increase, with the issuance of 19,321,473 ordinary shares and 22,095,194 shares of the new "non-listed ordinary share" class (which the Seller is entitled to convert into ordinary shares starting from 12 months after issuance). Overall, the newly issued shares represent approximately 11.1% of total Ariston shares and 2.6% of voting rights, with a total value of € 398.6 million, based on the price of Ariston shares as of 2 January 2023.

The transaction was accounted for in accordance with IFRS 3 by applying the acquisition method. The IFRS 3 acquisition method of accounting applies the fair value concepts defined in *IFRS 13 - Fair Value Measurement* and requires, among other things, the assets acquired and the liabilities assumed in a business combination to be recognised by the acquirer at their fair values as of the acquisition date.
Based on the above, the Group performed the purchase price allocation with the support of an independent external expert and it was finalised in a period not exceeding 12 months from the closing date, in compliance with the applicable accounting standards.

The book value and the fair value of the identifiable assets and liabilities of the Wolf-Brink group as at the date of acquisition were as follows:

(in € million)	Book value at the acquisition date		Fair value at the acquisition date
ASSETS			
Non-current assets			
Goodwill	135.6		-
Other intangible assets	41.3		491.1
Land and buildings	42.6		64.2
Plant and machinery	9.5		18.8
Other property, plant and equipment	43.8		53.6
Deferred tax assets	2.7		2.7
Financial assets	0.2		0.2
Other non-current assets	0.3		0.3
Total non-current assets	276.0		630.9
Current assets			
Inventories	105.7		113.7
Trade receivables	50.8		50.8
Tax receivables	1.4		1.4
Current financial assets	1.0		1.0
Other current assets	12.0		12.0
Cash and cash equivalents	79.1		79.1
Total current assets	250.0		258.0
TOTAL ASSETS	526.0		888.9
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	9.4		158,0
Non-current provisions	3.4		3.4
Post-employment benefits	44.6		44.6
Non-current financing	101.2		101.2
Other non-current liabilities	0.03		0.0
Total non-current liabilities	158.6		307.2
Current liabilities			
Trade payables	33.1		33.1
Tax payables	18.7		18.7
Current provisions	20.1		20.1
Current financial liabilities	2.1		2.1
Current loans	4.9		4.9
Other current liabilities	66.0		66.0
Total current liabilities	144.9		144.9
Total Liabilities	303.5		452.1
NET EQUITY ACQUIRED	222.5	A	436.8
Total consideration, of which:		B	1,024.5
Price paid in cash			*625.8*
Price paid in kind (Ariston ordinary shares)			*398.6*
Goodwill arising on acquisition (C=B-A)		C	587.6

The fair value of buildings, land and machinery and equipment has been determined using respectively the income approach for buildings, the market approach for land and the cost approach for machinery and equipment (in particular the fair value has been determined by adjusting the asset's new costs for losses in value attributable to physical, functional and economic obsolescence – for this purpose, it both the indirect cost approach and the direct cost approach have been used for more material assets utilising modern replacement costs).

The fair value of work-in-process and finished goods inventories has been determined at the estimated selling prices, less the cost of disposal and an implied brand royalty charge. The book value of all other raw materials which are measured at the lower of cost and net realisable value and which have a high turnover, are considered at approximate fair value.

Regarding the identified intangible assets, the fair value has been determined using the income approach (in particular for trademark and technology the relief from royalty method has been used and for the customer list the multi-period excess of earning method).

Based on the results of the purchase price allocation process, the residual goodwill amounts to € 587.6 million and represents the excess of the purchase price paid over of the fair value of the net assets acquired.

The above mentioned goodwill has been separately recognised by Ariston given it represents the future economic benefits considered arising from the business combination, as well as synergies expected from the integration of the acquired business, together with the assembled workforce in place. The emerging goodwill has been allocated to the Thermal Comfort CGU and is not tax-deductible based on the relevant local regulations.
From the date of acquisition (i.e. from the beginning of 2023), the Wolf-Brink group contributed € 808.2 million in revenue and € 87.7 million to profit before tax from continuing operations of the Group.

MTG Service business combinations

As mentioned in paragraph "3.iv. Basis of consolidation", in June 2023 the Ariston Group acquired 100% of the shares of the Greek entity 'MTG Service Single Member'. The total consideration amounts to € 1.5 million and consisted of the following:

- the price paid for 100% of the capital of the company totalled € 1.1 million;
- the acquisition agreement sets forth a mechanism for a subsequent adjustment of the purchase price (earn-out and retentions). The amount is equal to € 0.4 million.

The Greek entity is a service provider for maintenance or repairs. The Group separately recognised goodwill arising from the acquisition (€ 1.3 million) given that it represents the future economic benefits considered arising from the business combination performed by the Group. Goodwill is not tax-deductible based on the relevant local regulations.
From the acquisition date, the Greek entity contributed to Ariston Group's results for € 0.7 million to net revenue.

Note 2.2 – Property, plant and equipment

At 31 December 2023, "Property, plant and equipment" amounted to € 619.4 million, up by a net € 214.4 million compared to 31 December 2022.
The depreciation expense for the period is recognised under the appropriate item in the income statement and amounted to € 86.4 million.

Details of and changes in "Property, plant and equipment" are as follows:

Property, plant and equipment *(in € million)*	Land and buildings	Plant and machinery	Other property, plant and equipment	Total
Cost net of accumulated impairment losses	336.3	444.6	371.1	1,152.2
Accumulated depreciation	-163.0	-333.8	-250.1	-746.9
As at 31.12.2022	**173.3**	**110.8**	**121.1**	**405.1**
Perimeter variation	64.2	18.7	53.6	136.6
Increases	37.9	11.3	116.8	166.0
of which for right of use	*21.4*	*0.0*	*16.2*	*37.6*
Decreases	0.2	-0.1	0.2	0.3
Remeasurements and Impairment	0.0	0.0	-0.1	-0.1
Depreciation	-26.1	-21.3	-39.0	-86.4
of which for right of use	*-16.1*	*-0.3*	*-13.4*	*-29.8*
Exchange rate effect	0.1	-0.9	-0.5	-1.3
Other	4.0	19.1	-23.9	-0.7
Total changes	80.3	26.9	107.1	214.4
Cost net of accumulated impairment losses	431.6	485.0	497.8	1,414.4
Accumulated depreciation	-177.9	-347.3	-269.7	-795.0
As at 31.12.2023	**253.7**	**137.7**	**228.1**	**619.4**

The net increase was largely attributable to the perimeter variation related to the Wolf-Brink business combination. The capital expenditure for the period, totalling € 166.0 million, is only partly offset by € 86.4 million in depreciation.

In accordance with IFRS 16, below are the carrying amounts of right-of-use assets and the relevant changes during the period:

Right of use assets *(in € million)*	Land and buildings	Plant and machinery	Other property, plant and equipment	Total
Cost net of accumulated impairment losses	85.0	2.4	42.2	129.7
Accumulated depreciation	-37.7	-0.9	-20.4	-58.9
As at 31.12.2022	**47.3**	**1.5**	**21.8**	**70.7**
Perimeter variation	4.0	0.0	5.0	9.0
Increases	21.4	0.0	16.2	37.6
Depreciation	-16.1	-0.3	-13.4	-29.8
Exchange rate effect	-0.4	0.0	0.4	-0.1
Other	-0.1	0.2	-0.4	-0.4
Total changes	8.9	0.0	7.7	16.4
Cost net of accumulated impairment losses	98.8	2.4	55.1	156.2
Accumulated depreciation	-42.6	-1.0	-25.5	-69.1
As at 31.12.2023	**56.3**	**1.4**	**29.5**	**87.2**

In order to recognise any impairment loss to tangible assets, in the presence of impairment indicators, the Group attributes these assets to the Net invested capital of the related CGUs and assesses their recoverability by determining their value in use with the discounted cash flow method.

The item “Other property, plant and equipment” amounted to € 228.1 million, up by € 107.1 million compared with 31 December 2022.

The breakdown is detailed below:

Other property, plant and equipment *(in € million)*	31.12.2023	31.12.2022
Assets under construction	106.6	44.5
Industrial and commercial equipment	70.1	46.8
Vehicles & transportation equipment	28.8	19.0
Furniture and office equipment	13.8	3.5
EDP machinery	3.3	3.3
Other	5.5	4.0
Total	228.1	121.1

Note 2.2.1 – Information of tangible and intangible assets by main country

At 31 December 2023 the information of tangible and intangible assets (excluding goodwill) by main country is detailed below:

Country	31.12.2023	31.12.2022
Netherlands (country of domicile)	90.1	16.5
Germany	561.6	11.7
Italy	301.3	261.5
France	25.0	18.8
Other countries	259.6	226.5
Total	1,237.7	535.0

The total perimeter variation related to the Wolf-Brink business combination was equal to € 549.1 million for Germany, while for the Country of domicile (Netherlands) it was equal to € 75.8 million.

Note 2.3 – Investments in associates & Joint ventures

Associates

In October 2023, the Ariston Group acquired the % of the UK company Thermal Earth Limited. The investment was around € 3.5 million. The company delivers a comprehensive range of services that encompass both product supply and installation for both domestic and non-domestic clients. The Group’s interest in Thermal Earth Limited is accounted for using the equity method in the consolidated financial statements.

Joint ventures

From June 2021 the Ariston Group holds 24.5% of the shares of the Dutch company Haas Heating B.V. which was acquired by the Group through ATAG Heating B.V.

The company is treated as a joint venture, thus valuing the participation with the equity method with the existence of a financial liability to be paid for acquiring the associate.

The acquisition agreement sets forth a mechanism for a subsequent adjustment of the purchase price (earn-out) based on a sales scheme at specific dates falling under IAS 28 *Investment in Associates and Joint Ventures*.
Therefore, a liability equal to the current value of the estimated obligation as at the date of its eventual future exercise, was recognised in the financial statements against the equity method.

The Shares Purchase Agreement defined the purchase price at € 0.8 million and a liability for € 1.4 million is related to the earn-out program.
For the remaining shares the agreement foresees a series of call options divided in three tranches expiring in 2024, 2025 and 2026.

Notes 2.4 – Deferred tax assets and liabilities

The deferred taxes show a negative net balance of € 99.7 million in comparison with a positive net balance of deferred taxes of € 39.4 million of 2022, with an overall variation of € 139.1 million. The main reason for the change derives from the Wolf-Brink business acquisition, the purchase price allocation of which led to the recognition of intangible and tangible assets for an amount of € 520.2 million with the related tax effect equal to € 154.7 million of deferred tax liability. The reversal of the deferred tax liability related to the purchase price allocation in 2023 is € 6.2 million and the deferred tax liabilities related to the purchase price allocation is equal to € 148.5 million as at 31 December 2023.

The components of net deferred tax assets and liabilities as at 31 December 2023 and 2022 are as follows:

Deferred tax assets *(in € million)*	31.12.2022	P&L	Equity	Translation differences and others	Acquisitions	31.12.2023
Brand and patents	20.5	-0.1	0.0	0.0	0.0	20.4
Research and development	7.8	0.0	0.0	0.0	0.0	7.8
Tangible assets and leasing	12.9	-2.7	0.0	5.2	0.2	15.7
Provisions for risks	30.5	-3.0	0.0	0.6	0.1	28.2
Inventory	14.0	2.8	0.8	-0.1	0.0	17.6
Hedging	1.3	-2.3	3.4	0.0	0.0	2.3
Tax timing differences	7.4	-3.9	0.0	0.2	2.4	6.0
Tax losses	4.1	5.8	0.0	-0.2	0.0	9.7
Other	2.7	-0.6	0.0	4.7	0.0	6.9
Total	101.2	-4.0	4.2	10.4	2.7	114.6

Deferred tax liabilities *(in € million)*	31.12.2022	P&L	Equity	Translation differences and others	Acquisitions	31.12.2023
Brand and intellectual property	-11.6	0.0	0.0	2.9	-133.8	-142.5
Tangible assets and leasing	-7.2	0.7	0.0	-6.9	-13.6	-26.9
Inventory	-1.5	1.3	0.0	-0.7	-2.4	-3.3
Taxes on undistributed profits	-16.8	-3.0	0.0	0.0	-4.8	-24.6
Hedging and exchange gain or loss	-11.0	2.0	4.3	0.0	0.0	-4.6
Tax timing differences	-6.9	2.2	0.0	-3.8	0.0	-8.5
Other	-6.8	10.7	0.5	-4.9	-3.3	-3.8
Total	-61.8	13.9	4.8	-13.3	-158.0	-214.3

The column acquisitions includes the effects of the Wolf-Brink business acquisition, mainly consisting of the purchase price allocation.

Starting from 2021, a deferred tax liability on the undistributed earnings in Ariston subsidiaries is recorded equal to the expected tax burden on the remittance of earnings from those jurisdictions The amount of the deferred tax liabilities on undistributed earnings recorded in 2023 is equal to € 24.6 million with an increase of € 7.8 million in respect to the previous year. Part of this increase, € 4.8 million, relates to the undistributed earnings of the Wolf-Brink group recorded in the purchase price allocation. The remaining part, equal to € 3.0 million, relates to the profits realised in 2023 by the Ariston and Wolf-Brink companies in the countries in which they operate.

The decision to recognise 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.

Ariston recognises in its consolidated statement of financial position under deferred tax assets the amount of deferred tax assets less the deferred tax liabilities of the individual consolidated legal entities, where these may be offset.

Note 2.5 – Financial assets

"Financial assets" amounted to € 4.4 million at 31 December 2023, down by € 1.7 million compared to December 2022. This item mainly consists of the value of "Other investments" held for the medium/long term, measured at fair value, since they are largely classified as "Financial instruments at fair value through profit or loss (FVTPL)".
The decrease during the period is due to the remeasurement (refer to 'Note 1.11 – Profit (loss) on investments' for further information), in accordance with IFRS 9, of the equity investment in an "Investment company in risk capital (SICAR) provision" specialising in interventions in sectors where the Group operates, by the parent company Ariston Holding N.V.

Note 2.6 – Other non-current assets

"Other non-current assets" includes primarily the security deposits due beyond the year and other assets with a financial impact spreading beyond one year.
At 31 December 2023, the item amounted to € 7.8 million, up compared with € 7.0 million in 2022.

Note 2.7 – Non-current tax receivables

"Non-current tax receivables" amounted to € 1.4 million at 31 December 2023, slightly down on € 0.7 million in the same period of 2022. The item includes receivables from tax authorities payable to the Group.

Note 2.8 – Inventories

Below is the composition of "Inventories" at 31 December 2023 and at 31 December 2022, net of the obsolete stock provision.

Inventories *(in € million)*	31.12.2023	31.12.2022
Raw materials	204.6	158.1
Work in progress and semi-finished goods	40.5	20.4
Finished goods and goods for resale	373.9	298.2
Total	619.0	476.8

The gross value of inventories, at 31 December 2023, amounted to € 686.5 million (€ 525.6 million at 31 December 2022), whereas the provision amounted to € 67.5 million (€ 48.8 million at 31 December 2022).

Inventories totalled € 619.0 million at 31 December 2023, up by € 142.2 million on 31 December 2022. This change is essentially attributable to several factors, as summarised below:

- Perimeter variation equal to € 123.5 million for the business combination with Wolf-Brink;
- Organic change of € 23.5 million mainly driven by the increase in heating finished products associated with the slowdown in some important markets;
- Negative exchange rate effect of € 4.7 million.

Inventories are recognised at the lesser value between purchase and production cost, according to the weighted average cost method and their net realisable value which includes costs necessary to sell inventories and based on that for the Group they did not have a material impact.

The provision set up for obsolete or slow-moving stock is substantially in line with the previous year in terms of the percentage on the gross amount of Inventories, meanwhile showing an absolute variation equal to € 18.7 million.

The obsolescence risk is measured taking into account stock rotation, calculated monthly as the ratio of inventories to consumption over the last twelve months for raw materials (forty-eight months for spare parts with a life cycle defined as “inactive”), and the product life cycle. In the obsolescence risk, the Group has considered for materials and products in stock the technological obsolescence which can arise from climate change and the energy transition. On the basis of the parameters mentioned above, impairment percentages are applied which increase in proportion to the estimated risk.

The change in the obsolete stock provision was as follows:

Obsolete stock provision *(in € million)*	Raw materials	Work in progress and semi-finished goods	Finished goods and goods for resale	Total
As at 31.12.2022	11.4	1.9	35.6	48.8
Perimeter variation	5.1	0.4	5.7	11.2
Increases	18.1	2.7	31.4	52.2
Decreases	-7.3	-0.2	-8.3	-15.8
Release	-10.2	-1.7	-16.8	-28.7
Exchange rate effect	-0.1	0.0	0.1	0.0
Other	-0.4	-0.2	0.4	-0.2
Total changes	5.2	1.0	12.5	18.7
As at 31.12.2023	16.6	2.9	48.1	67.5

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 € 361.3 million, net of a bad debt provision of € 21.2 million.
Compared with 31 December 2022, the net balance shows a € 52.9 million increase in absolute values. This increase is attributable to, in addition to the effects of the geographical mix, the acquisition of Wolf-Brink in early 2023, partially compensated by the strong collection performance of the Group.
The percentage of trade receivables on the turnover of the last 12 months was equal to 11.7% compared with 13.0% recorded at 31 December 2022.

The bad debt provision of € 21.2 million shows a net increase by € 4.3 million compared with 31 December 2022. This increase is mainly attributable to the acquisition of Wolf-Brink. For Trade Receivables, the Group, applies a simplified approach using a provision matrix in the calculation of expected losses based on historical loss rates and then adjusting for forward-looking information. Based on this model, according to IFRS9, the policy defines a percentage of statistical devaluation based on the division of trade receivables into clusters of ageing and country risk and then applying a forward-looking factor determined by the counterparty Probability of Default (PD) at 1 year obtained from external resources. A specific fund is provided for legal and specific devaluation due to the situation of single clients and their economic environment.

At 31 December 2023, the provision was deemed to be appropriate for the estimated losses from unsecured or disputed receivables.

Following are the changes in the bad debt provision:

Bad debt provision *(in € million)*	Short-term	Medium/long-term	Total
As at 31.12.2022	12.3	4.7	17.0
Perimeter variation	2.6	0.0	2.6
Increases	6.6	0.6	7.1
Decreases	-1.3	-0.7	-1.9
Release	-2.9	-0.6	-3.5
Exchange rate effect	-0.2	0.0	-0.2
Other	-0.0	0.1	0.1
Total changes	4.9	-0.6	4.3
As at 31.12.2023	17.1	4.1	21.2

The item “Other” includes primarily the reclassifications made for the period in order to ensure the correct recognition of receivables subject to special valuation, such as those in legal proceedings or in litigation.

Please refer to paragraph ‘Credit Risk’ for further details on ageing and the related Bad Debt Provision.

Note 2.10 – Tax receivables

The item “Tax receivables” includes primarily the amounts due to the companies of the Group from the taxation authorities in several countries where the Group operates. At 31 December 2023, the item amounted to € 47.8 million versus € 28.4 million in 2022, mainly due to:

Tax receivables *(in € million)*	31.12.2023	31.12.2022
Tax receivables for taxes paid in excess	26.1	16.7
Tax receivables from Parent company	16.3	7.1
Other short-term tax receivables	5.4	4.6
Total	47.8	28.4

Ariston Holding N.V. is incorporated in the Netherlands but is a tax resident of Italy and is controlled by Merloni Holding S.p.A. Ariston Holding N.V. and its Italian subsidiaries have adopted the national tax consolidation scheme. At 31 December 2023, the individual Italian companies' income tax receivables and payables were recorded from or to, respectively, Merloni Holding S.p.A. These amounts are included in the “Tax receivables” from the controlling shareholder for the tax consolidation. The increase amounts to € 9.2 million and mainly derives from higher tax losses accrued in Italy in 2023.

Note 2.11 – Current financial assets

As at 31 December 2023, the item “Current financial assets” amounted to € 35.1 million, down from € 47.1 million reported at the end of 2022.

The item includes:

- “Short-term financial receivables”, including primarily security deposits, which amounted to € 7.9 million as at 31 December 2023 (€ 2.2 million as at 31 December 2022);
- the positive impact of “Financial derivative assets” for € 17.1 million (€ 34.8 million as at 31 December 2022) is generated by the fair value measurement of derivative financial instruments. The fair value of financial derivatives included hedges on commodities for € 0.2 million, on interest rates for € 16.5 million and on foreign exchange for € 0.4 million.
  The amount of derivatives closed but not yet collected amounted to € 4.9 million (€ 2.0 million as at 31 December 2022);
- the short-term bank notes or similar tradable instruments held by subsidiaries in China amounted to € 2.6 million (€ 2.5 million as at 31 December 2022), issued and backed up by leading domestic banks and used in commercial transactions with customers and suppliers in order to settle supply agreements.

Note 2.12 – Other current assets

"Other current assets" amounted to € 87.4 million versus € 50.8 million at 31 December 2022. The main items are:

Other current assets *(in € million)*	31.12.2023	31.12.2022
Indirect tax receivables	52.9	25.0
Prepaid expenses	12.3	8.8
Advances to suppliers	10.4	8.2
State Green Programmes	0.9	1.2
Credits from government	0.9	3.8
Receivables from employees	0.9	1.2
Other receivables	9.1	2.5
Total	87.4	50.8

The increase in 'Other current assets' is mainly related to indirect tax receivables and prepaid expenses.
The reasons for the increase are a mixed effect of perimeter variation and business activity.

Note 2.13 – Cash and cash equivalents

"Cash and cash equivalents", amounting to € 451.2 million as at the end of December 2023, are represented almost entirely by cash on hand, as shown in the following table:

Cash and cash equivalents *(in € million)*	31.12.2023	31.12.2022
Bank and postal deposits	385.6	961.2
Short-Term Investments	63.7	38.0
Cash on hand	1.9	0.2
Total	451.2	999.3

The amount shown in the line "Bank and postal deposits" primarily consists of credit balances on current accounts and compared to 31 December 2022, it decreased by € 575.6 million mainly due to the Wolf-Brink acquisition payment cash out executed on 2 January 2023. "Short-term Investments" increased by € 25.7 million compared to 31 December 2022. The amount of cash on hand with a pre-determined use is not significant.

The reconciliation between Cash & Cash Equivalents and the Consolidated statement of cash flows is provided below:

Table of Reconciliation between Cash & Cash Equivalents and the Consolidated statement of cash flows *(in € million)*	31.12.2023	31.12.2022
Cash and cash equivalents *(as included in the Consolidated statement of financial position)*	451.2	999.3
Short-term bank notes or similar tradable instruments and others	3.3	3.3
Bank overdrafts	-1.0	-7.4
Notes payable	-13.5	-17.6
Cash and cash equivalents *(as included in the Consolidated statement of cash flows)*	440.0	977.5

For the purpose of the 'Consolidated Statement of Cash flow', the Group included within 'Cash and cash equivalents' the financial instruments reported above in the table (bank overdrafts, short-term bank notes and notes payable) since these instruments are readily convertible and repayable on demand. With particular reference to the short-term bank notes and notes payable, such instruments are similar to bank overdrafts and are used especially in China to settle commercial transactions, with the net balance of such notes fluctuating throughout the year.

Note 2.14 – Assets held for sale

At 31 December 2023, the item “Assets held for sale” amounted to € 0.3 million, down by € 1.0 million compared with 31 December 2022. The item includes the assets held for sale by the Romanian subsidiary, recognised, as stated in IFRS 5, at the lower of the net book value and the fair value (net of sale costs).

6.6.3 Statement of financial position – Liabilities and equity

Note 3.1 – Equity

At 31 December 2023, the fully paid up share capital of Ariston Holding N.V. was € 46,476,001.99, comprising 125,505,005 ordinary shares and 22,095,194 non-listed ordinary shares with a nominal value of € 0.01 each, and 225,000,000 multiple voting shares with a nominal value of € 0.20 each. The capital structure as at 31 December 2023 for ordinary shares, non-listed ordinary shares and multiple voting shares is reported below.

Shareholders	Ordinary shares(1)	Non-listed ordinary shares(2)	% of total ordinary shares and non-listed ordinary shares	Multiple voting shares(3)	Total number of shares(6)	% of total shares
Merloni Holding S.p.A.	19,506,000(4)		13.22%	198,000,000	217,506,000	58.38%
Amaranta S.r.l.	2,649,000		1.79%	27,000,000	29,649,000	7.96%
Treasury shares	2,237,346		1.52%		2,237,346	0.60%
Centrotec SE(4)	19,321,473	22,095,194	28.06%		41,416,667	11.12%
Other shareholders	81,791,186(5)		55.41%		81,791,186	21.95%
Total	**125,505,005**	**22,095,194**	**100.00%**	**225,000,000**	**372,600,199**	**100.00%**

(1) Ordinary shares are listed, freely transferable and each of them confers the right to cast one vote.

(2) Non-listed ordinary shares are not listed, freely transferable (subject to lock-up provisions, see (5) below) and each of them confers the right to cast one vote.

(3) Multiple voting shares confer economic rights equal to the ordinary shares, are not listed and confer the right to cast twenty votes, subject to a voting threshold. See "Share capital and general meeting", subparagraph "Voting rights and adoption of resolutions" in the Governance report. If a holder of multiple voting shares intends to transfer to any third party (be it a shareholder or not) one or more multiple voting shares, the other holders of multiple voting shares shall have the right, in accordance with the procedure outlined in article 16 of the articles of association, to exercise a right of first refusal.

(4) Pursuant to the lock-up provisions included in the agreement for the sale and purchase of CENTROTEC Climate Systems GmbH entered into between CENTROTEC SE and Ariston Holding N.V. on 15 September 2022, CENTROTEC SE may not transfer the 41,416,667 ordinary shares and non-listed ordinary shares it holds in the capital of the Company following the sale of CENTROTEC Climate Systems GmbH until 2 January 2024 and may not transfer more than 20,708,332 ordinary shares and non-listed ordinary shares until 2 January 2025.

(5) Including 442,558 ordinary shares held by Paolo Merloni.

(6) Each issued and outstanding share ranks equally with, and will be eligible for any dividends that may be declared on, all other 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.

The total consolidated equity at 31 December 2023 amounted to € 1,502.5 million, up compared with € 1,012.2 million at 31 December 2022.

The overall change is the result of the sum of positive and negative items, such as:

- the increase in Group net profit for the period, amounting to € 191.2 million;
- the increase in "Share capital" (€ 0.4 million) and the additional "Share premium reserve" (€ 398.2 million) made on 2 January 2023 relates to the share-based payment transaction used as a partial payment method to finalise the total acquisition price of Wolf-Brink;
- in September 2023, the Ariston Group started a treasury share buyback program to serve the Group's LTI plans with a number of Ariston shares to be acquired equal to 1,500,000. The treasury share buyback program ended on 27 October 2023. The total amount of treasury shares at 31 December 2023 was equal to € 14.8 million;
- the financial statements conversion reserve in Group currency, used to recognise differences in exchange rates deriving from the translation of the financial statements of foreign subsidiaries not included in the Euro area, had a positive impact of € 6.9 million;
- the decrease in "Retained Earnings and other reserves" for the dividends paid in May 2023 for a total amount equal to € 48.3 million;

- the negative change due to the remeasurement of the pension provisions, for € 5.2 million, mainly following changes in the financial and demographic assumptions, recognised in equity in compliance with the revised IAS 19. The re-measurement reserve shows an additional decrease in other changes, equal to € 9.8 million, due to the perimeter variation following the Wolf-Brink acquisition;
- the decrease in the "Reserve for gains/losses" for a total amount equal to € 24.4 million due to the positive MTM in cash flow hedge accounting;
- Ariston Group has, from 2021, equity incentive plans under which a combination of performance share units ("PSUs"), which each represent the right to receive one Ariston common share, have been awarded to the executive directors and non-executive directors. The "Stock-based incentive plans reserve", during the year, increased for € 5.4 million for the expense of LTI plans for 2023 and decreased for € 7.8 million following the assignment of shares for LTI plans for 2020. As at 31 December 2023 the reserve was equal to € 9.0 million (€ 11.4 million as at 31 December 2022) and it is related to long-term incentive plans for 2021-2023:
  - 2021: € 6.0 million
  - 2022: € 2.0 million
  - 2023: € 1.1 million

  For further detail, refer to 'Note 3.1.1 - Stock-based incentive plans payments'.

Dividends paid

The table below shows the dividends approved and paid during the year and in the previous years:

DIVIDENDS to the parents *(in € thousand)*	**2023**	**2022**	**2021**
Dividends paid during the period	48,342	46,366	48,268

As at the reporting date, there were no dividends approved by the general meeting yet to be paid.

Note 3.1.1 – Stock-based incentive plans payments

2023 remuneration of the executive directors

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

The following table summarises the remuneration received by the executive directors for the years ended 31 December 2023 and 2022:

Director, Position, Year		**Base remuneration**			**Variable incentive**		**Extraordinary items**	**Pension expense**	**Total remuneration**	**Proportion of fixed and variable remuneration**
		Fixed Remunerations	Fees	Benefits and perquisites	Short-term incentive	Long-term incentive*				
Paolo Merloni *Executive Chair*	2023	1,100	80	61	541	981[1]	-	50	2,813	46% fixed 54% variable
	2022	1,000	80	38	666	1,696[2]	-	43	3,523	33% fixed 67% variable
Maurizio Brusadelli *Chief Executive Officer* [3]	2023	913[4]	21	41	406	0	-	19	1,399	not applicable
Laurent Jacquemin *Chief Executive Officer* [5]	2023	583	50	37	0	981[1]	1,000[6]	-	2,652	not applicable
	2022	900	50	79	555	1,017[7]	-	-	2,601	40% fixed 60% variable

Notes:
- *Fixed remuneration represents for the executive chair the base salary and the executive director fee. On 20 February 2023, the compensation and talent development committee unanimously resolved to increase the fixed remuneration to further align on median and LTI. Therefore, the following proposal for the executive directors' compensation for 2023 was presented to the Board: executive chair base salary at € 1.1 million with a short-term incentive target of € 600,000 and LTI of € 1.1 million (award counter value) and former CEO fixed remuneration at € 1 million and LTI of € 1 million (award counter value). The Board unanimously approved the proposal on 2 March 2023.*
- *Fees represent the Board fee and the committee membership fees.*

- *The short-term incentive represents the incentive to be paid for 2023 performance.*
- *The long-term incentive value is calculated as follows: (i) for 2023, the LTI is valued referring to the share price of 29 December 2023 at the close of trading (€ 6.26) (and it refers to the vesting of the 2020 converted LTI phantom stock option plan) and (ii) for 2022, the LTI is valued referring to the share price of 30 December 2022 at the close of trading (€ 9.62) (and it refers to the vesting of the 2019 converted LTI phantom stock option plan).*

(8) LTI accrued value based on IFRS2 expenses is € 1,607 thousand.
(9) LTI accrued value based on IFRS2 expenses is € 1,807 thousand.
(10) Since 3 August 2023.
(11) Maurizio Brusadelli's fixed remuneration consists of (i) € 400,000 per annum for his position as general manager, (ii) € 800,000 per annum for his position as executive director, and (iii) € 700,000 per annum for his non-compete consideration.
(12) As until 27 July 2023.
(13) On 3 May 2023 the Board, at the proposal of the compensation & talent development committee, approved a retention package to incentivise Laurent Jacquemin to stay as non-executive director in case of his early resignation as chief executive officer, considering his 30+ years in the Company, his profound knowledge of the business and his vision for the long term plans for the Group. This retention package includes the payment of a € 1 million lump sum, the continuation of his rights under the 2021 LTIP and maintenance of benefits for a value of € 35,000.
(14) LTI accrued value based on IFRS2 expenses is € 1,084 thousand.

Long-term incentive

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

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

The table below provides an overview of ordinary shares held by executive directors as of 31 December 2023.

Executive director	Number of ordinary shares
Paolo Merloni	442,558
Laurent Jacquemin	415,235
Maurizio Brusadelli	50,000

The table below provides an overview of the conversion result for the phantom stock options awarded in 2020 that were unvested at Admission and converted into restricted share units at the offer price of the Company's initial public offering and the LTIP 2021, 2022 and 2023 award of performance share units.

Director, position	Main conditions of performance share plans				Information regarding 2023					
					Opening balance	During the year		Closing balance		
	Plan	Performance period	Vesting start date	Vesting end date	Performance shares on 1 January 2023(1)	Performance shares awarded	Performance shares vested	Shares vested	Share awarded and unvested	Unexercised shares
Paolo Merloni *Executive Chair*	2020	2020-2022	31.03.2020	31.03.2023	156,737	0	156,737	156,737	0	156,737
	2021	2021-2023	31.03.2021	31.03.2024	112,000	0	0	0	112,000	0
	2022	2022-2024	28.04.2022	31.03.2025	104,948	0	0	0	104,948	0
	2023	2023-2025	04.05.2023	30.03.2026	0	110,741(2)	0	0	110,741	0
Maurizio Brusadelli *Chief Executive Officer* (3)	2023	2023-2025	03.08.2023	30.03.2026	0	208,776(4)	0	0	208,776(	0
Laurent Jacquemin *Chief Executive Officer* (5)	2020	2020-2022	31.03.2020	31.03.2023	156,737	0	156,737	156,737	0	156,737
	2021	2021-2023	31.03.2021	31.03.2024	112,000	0	0	0	112,000	0
	2022	2022-2024	28.04.2022	31.03.2025	94,453	0	0	0	94,453	0
	2023	2023-2025	04.05.2023	30.03.2026	0	0(6)	0	0	0	0

(7) Unvested share units.
(8) The number of PSUs to be granted to the executive chair, as resolved by the Board on 2 March 2023 on the proposal of the compensation and talent development committee, is determined by dividing the individual award by the average closing price of the Company's shares on the 30 trading days before the award. Specifically, for 2023 the average closing price on 3the 0 trading days before the award was € 9.9331.

(9) Since 3 August 2023.
(10) The number of PSUs to be granted to the chief executive officer, as resolved by the Board on 3 August 2023 on the proposal of the compensation and talent development committee, is determined by dividing the individual award by the average closing price of the Company's shares on the 30 trading days before the grant. Specifically, the average closing price on the 30 trading days before the award was € 9.1007.
(11) As until 27 July 2023.
(12) Following the communication by the former chief executive officer to the Board of 3 May 2023 about his decision to step down and resign as CEO and executive director of the Company, no LTIP 2023 has been awarded.

Change of remuneration of executive directors and Company performance

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

The following table shows a comparison of the fixed remuneration of the executive directors over the last five years who served as executive directors in 2023.

Annual change	2019	2020	2021	2022	2023
Executive directors' fixed remuneration *(in € thousand)*					
Paolo Merloni *Executive Chair*	1,005	995	1,003	1,118	1,241
Maurizio Brusadelli *Chief Executive Officer* (1)	N.A.	N.A.	N.A.	N.A.	974
Laurent Jacquemin *Chief Executive Officer* (2)	718	782	880	1,029	670
Executive directors' total remuneration *(in € million)*					
Paolo Merloni *Executive Chair*	N.A.	N.A.	2,879	3,523	2,813
Maurizio Brusadelli *Chief Executive Officer* (1)	N.A.	N.A.	N.A.	N.A.	1,399
Laurent Jacquemin *Chief Executive Officer* (2)	N.A.	N.A.	2,128	2,601	2,652
Company performance *(in € million)*					
EBIT	134	149	171	194	285
EBITDA	209	227	247	283	417
EBIT Adjusted	149	164	203	223	314
EBITDA Adjusted	223	239	277	305	422
Average remuneration on a full-time equivalent basis of employees(3)					
Employees of the Group	N.A	N.A	54	59	65
Internal pay ratio Chief Executive Officer (3)					
Chief executive officer vs employees of the Group	N.A(4)	N.A(4)	40	44	N.A.

(6) Since 3 August 2023
(7) As until 27 July 2023
(8) The population composition changes among the years in terms of FTE, mix and countries
(9) Not available as the Company was not listed in 2019 and 2020

Internal pay ratio chief executive officer based on fixed remuneration

In accordance with Dutch law and the Dutch corporate governance code, the internal pay ratio is an important factor for determining the remuneration policy. The Dutch corporate governance code was amended on 20 December 2022 and entered into force as for the financial year beginning on or after 1 January 2023. Pursuant to the new version of the Dutch corporate governance code 'pay ratios' is understood to mean the ratio between (a) the total annual remuneration of the chief executive officer and (b) the average annual remuneration of the employees of the company and the group companies whose financial data the company consolidates, where: (i) the total annual remuneration of the chief executive officer includes all remuneration components (such as fixed remuneration, variable remuneration in cash (bonus), the share-based part of the remuneration, social security contributions, pension, expense allowance, etc.), as included in the (consolidated) financial statements; (ii) the average annual remuneration of the employees is determined by dividing the total wage costs in the financial year (as included in the (consolidated) financial statements) by the average number of FTEs during the financial year; and (iii) the value of the share-based remuneration is determined at the time of assignment, in line with the applicable rules under the applied reporting requirements. The Company has elected to follow this methodology from 2022. In 2023, given the change of chief executive officer, it is not possible to determine the annual remuneration of the chief executive officer. The pay ratio based on the annualised total remuneration (fixed remuneration and variable incentive) of the new chief executive officer is equal to 75. The difference between the pay ratio of the former and the new Chief executive officer is linked to the higher overall remuneration package of the latter.

2023 remuneration of the non-executive directors

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

The following table summarises the remuneration received by the non-executive directors for the years ended 31 December 2023 and 2022.

Non-executive director *(in € thousand)*	**Fee 2023**	**Supplementary committee Fee 2023**	**Remuneration 2023**	**Remuneration 2022**
Laurent Jacquemin(1)	50	0	50	50
Francesco Merloni	50	0	50	50
Marinella Soldi	50	20	70	70
Antonia Di Bella	50	10	60	0
Guido Krass	50	10	60	0
Roberto Guidetti	50	40	90	90
Maria Francesca Merloni	50	0	50	50
Lorenzo Pozza	50	20	70	70
Ignazio Rocco di Torrepadula	50	20	70	60
Enrico Vita	50	10	60	60

(1) As since 27 July 2023.

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

Non-executive director *(in € thousand)*	**2019**	**2020**	**2021**	**2022**	**2023**
Laurent Jacquemin(1)	50(2)	50(2)	48(2)	50(2)	50
Francesco Merloni	50	50	48	50	50
Marinella Soldi	74	74	67	70	70
Antonia Di Bella	0	0	0	0	60
Guido Krass	0	0	0	0	60
Roberto Guidetti	59	59	71	90	90
Maria Francesca Merloni	50	50	48	50	50
Lorenzo Pozza	0	0	38(3)	70	70
Ignazio Rocco di Torrepadula	0	0	38(3)	60	70
Enrico Vita	56	53	52	60	50

(1) Since 27 July 2023.
(2) Fees received when CEO.
(3) Since 15 June 2021.

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 provisions

Current and non-current “Provisions for risks and charges” totalled € 142.6 million, up by € 46.8 million compared with the previous year.
The following table shows the composition of this item and the changes occurring during the year:

Non-current and current provisions *(in € millions)*	Agent supplementary indemnity provision	Product warranty provision	First installation provision	Other Provisions	Total
As at 31.12.2022	2.8	65.1	7.5	20.4	95.8
of which:					
- Current	0.0	21.2	2.4	12.7	36.2
- Not Current	2.8	43.9	5.1	7.8	59.6
Perimeter variation	0.2	20.9	0.7	1.7	23.5
Increases	0.5	53.9	2.2	14.7	71.3
Decreases	-0.6	-35.4	-2.6	-2.9	-41.5
Releases	0.0	-3.6	-0.1	-3.0	-6.7
Other	0.0	-0.0	-0.2	0.4	0.2
Total changes	0.2	35.8	0.0	10.9	46.8
As at 31.12.2023	3.0	100.9	7.5	31.3	142.6
of which :					
- Current	0.0	46.7	2.6	19.6	68.9
- Not Current	3.0	54.2	4.9	11.7	73.8

Details of and changes in “other provisions” are the following:

Other provisions *(in € millions)*	Legal Dispute Provision	Restructuring Provision	Other Provision	Total
As at 31.12.2022	5.5	1.9	13.0	20.4
of which:				
- Current	5.1	1.9	5.7	12.7
- Not Current	0.5	0.0	7.3	7.8
Perimeter variation	0.4	0.0	1.4	1.7
Increases	2.1	0.0	12.6	14.7
Decreases	-0.1	-0.1	-2.7	-2.9
Releases	-0.1	-1.6	-1.3	-3.0
Other	0.0	0.0	0.3	0.4
Total changes	2.3	-1.7	10.3	10.9
As at 31.12.2023	7.9	0.2	23.3	31.3
of which :				
- Current	7.3	0.2	12.2	19.6
- Not Current	0.6	0.0	11.1	11.7

“Current provisions for risks and charges” amounted to € 68.9 million versus € 36.2 million at 31 December 2022, whereas “Non-current provisions for risks and charges” amounted to € 73.8 million versus € 59.6 million in the previous year.

More specifically, the “Agent supplementary indemnity provision” recognises the accruals for covering indemnities that may be due to agents on their employment termination. The provision shows a limited increase of € 0.2 million compared to the previous year.

The “Product warranty provision”, which represents estimated costs to be borne for technical support of products sold under warranty, is appropriate in order to hedge the related risk.

The method used to determine this provision is based on historical/statistical data concerning warranty work performed, costs incurred for such work and products sold on the market which are still under warranty at the evaluation date.
The provision had a net € 35.8 million increase mainly due to the normal management activities of the warranty on manufactured and sold products and for the perimeter variation of Wolf-Brink for € 20.9 million.

The "First installation provision" represents the estimated expense that the Group must bear for interventions of this type on products. The movements of the period did not impact the closing balance which was the same as 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 increase in 2023 primarily regarded estimated future charges for ongoing litigation and other Group risks.

The item "Other" includes the effect of exchange rates for the period and reclassifications.

Note 3.4 – Post-employment benefits

The Group has two defined benefit plans for employees, the first one is employee severance indemnity, due from 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 already be completely accrued at the evaluation date, there will then be no re-proportioning of the liability).
Since as from 1 January 2007, for employees belonging to companies with at least 50 employees, no amount is any longer internally provisioned, but the amounts of TFR accrued subsequent to that period are assigned to the Complementary Pension Fund or to the INPS (Italian National Social Security Institute) Treasury Fund and the company remains solely responsible for the duty of re-evaluating the amount accrued at 31 December 2006, the actuarial calculation must estimate, in correspondence to every possible event which leads to the payment of TFR to the worker, the associated probability, the consequent amount paid and the years of service corresponding to the payment date. The latter, in particular, is a random variable that can take on any value between initial service and the maximum service that the worker can perform in correspondence with retirement, with probabilities that can be deduced from the economic and demographic technical bases used in the evaluation.
For the related actuarial assessments, the demographic and economic-financial assumptions set out in the attached table have been adopted.

The pension funds of the German companies are regulated on a pension system based on three pillars.
The "first pillar" (state and obligatory pension insurance contribution (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.
The "second pillar" (company pension scheme (BAV: Betriebliche Altersvorsorge) is represented by voluntary supplementary pensions on a pay-as-you-go basis, and thus with defined benefits falling on the company.
There are different types of BAV pension plans that qualify as defined benefit plans / defined benefit obligations. Pension plans have developed differently in the Group's companies in Germany.

- ELCO:
  a) There are currently two different pension plans considered as defined benefits plans: the so-called BVO 74/79 (based on employees' pension commitments) 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;
  b) 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 (BVO 79, based on one-off payments).

  For a) + b) the related actuarial assessments, the demographic and economic-financial assumptions set out in the attached table have been adopted.
  Both pension plans are closed. The measurement is split between pensioners and vested rights for early leavers and active employees.

  c) The "BASIS Versorgung", based on direct insurance; and "ZUSATZ Versorgung", based on employee pension commitments (both still active).

- WOLF:
  Under the second pillar Wolf GmbH has the so-called "Plan 1" (still active) which contains three direct pension commitments,
  a) the "Essener Verband" which covers all People on Top Management Level;
  b) the "Salzgitterrichtlinie (alt)" which covers all the people who joined the Company before 1 January 1986;
  c) the "Salzgitterrichtline neu" which covers all the people who joined from 1 January 1986.

  For a) - c) the related actuarial assessments, the demographic and economic financial assumptions set out in the attached table have been adopted.

The "third pillar" is a voluntary, private savings plan in funds or insurance companies which is encouraged through tax incentives and subsidies.

- ELCO: Deferred compensation (Gehaltsumwandlungen) / provident fund (closed, but vested rights) (Unterstützungskasse).
- WOLF: "Plan 2" for deferred compensation (Gehaltsumwandlungen).

The pension funds of the Swiss companies are regulated on the basis of 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 most directly must be legally independent from the sponsor company, segregated in terms of equity and independently managed in the legal form of cooperative foundations or associations registered with a regulatory authority. The administrative bodies of such associations consist of an equal number of representatives from the sponsor companies and employees with equal voting rights, are supported by a management consultant recognised by the law and by qualified actuarial experts, and are subject to supervision by the regional authorities.

The funds are financed through the contribution of the employee's sponsor company. The sponsor's contribution must be at least 50% (obligatory minimum by law) and the contributions vary from pension fund to pension fund.

The contributions and the return on the market of the invested capital contribute to defining the benefits. A guarantee is envisaged for a minimum nominal return and a minimum interest rate on the amount paid in. Should it be underfunded, which is not the case of the Group's pension funds in Switzerland, it is the responsibility of the sponsor company which is obligated by law to recapitalise within a reasonable timeframe, not exceeding 10 years.
In the current situation of the Group's pension funds in Switzerland, the investment risks are met by fluctuation reserves (i.e. by assets which exceed the actuarial liabilities) and the level of actuarial cover is over 100%; therefore, there is currently no need for recapitalisation measures.

For the related actuarial assessments, the demographic and economic-financial assumptions set out in the attached table have been adopted.

In relation to the recognition of the Group's pension funds:

- current employment-related costs have been recognised in the income statement, under Personnel costs;
- financial charges on the assumed obligations and the financial gains expected on the plan assets are recognised under financial income and expense;
- actuarial gains and losses are recognised in a specific valuation reserve under equity.

The plan assets do not include the Group's treasury shares, nor property occupied or used by the Group. The expected return on plan assets is defined on the basis of the current market conditions.

At December 2023, the remeasurement emerging in the period amounted to a negative € 6.9 million against the positive € 11.4 million of December 2022. The negative effect was mainly due to the perimeter variation of Wolf-Brink which increased the net liability by € 45.8 million. The other impacts were affected mainly by the change in the financial and demographic assumptions used, especially at the Swiss subsidiaries, compensated by the Asset ceiling recorded in Swiss and German companies as shown in the description below. Finally, a Swiss subsidiary recognised a surplus on the pension fund under "other non-current assets" totalling € 0.6 million.
This was mainly the result of the trend in rates and the returns on investments.
The item "Foreign exchange gains (losses)" shows the differences in exchange rates due to the translation of the Swiss franc into the consolidation currency.

The following table shows the changes in the provisions for employee benefits that occurred during the period:

Employee Benefits *(in million €)*	Switzerland		Germany		Italy		Other		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Amounts recognised in the income statement										
Current service cost	-3.4	-5.0	-1.9	-0.1	-0.1	0.0	-0.8	-0.9	-6.2	-5.9
Past service cost	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Financial expense for obligations	-3.4	-0.6	-2.3	-0.3	-0.4	-0.1	-0.9	-0.4	-7.0	-1.4
Financial income on plan assets	3.5	0.7	0.0	0.0	0.0	0.0	0.2	0.1	3.7	0.8
Curtailment, settlement, plan amendment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other pension cost	0.0	0.0	-0.1	0.2	0.0	0.0	0.0	0.0	-0.1	0.2
Net periodical cost	**-3.1**	**-4.8**	**-4.2**	**-0.2**	**-0.5**	**-0.1**	**-1.6**	**-1.2**	**-9.5**	**-6.3**
Group obligations										
Current value of defined benefit plans	-223.7	-184.6	-67.6	-19.4	-12.6	-12.0	-12.1	-11.2	-316.0	-227.2
Fair value of plan assets	237.3	207.3	2.8	0.0	0.0	0.0	4.7	4.4	244.9	211.7
Total	13.6	22.8	-64.8	-19.4	-12.6	-12.0	-7.4	-6.8	-71.1	-15.5
Unrecognised plan assets	-15.6	-22.5	0.0	0.0	0.0	0.0	0.0	0.0	-15.6	-22.5
Unrecognised current and past service cost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unrecognised actuarial gains and losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	-1.9	0.3	-64.8	-19.4	-12.6	-12.0	-7.4	-6.8	-86.8	-38.0
of which: Post employee benefits	-2.5	-0.3	-64.8	-19.4	-12.6	-12.0	-7.4	-6.8	-87.2	-38.6
Other non-current assets	0.6	0.6							0.6	0.6
Changes in obligations during the year										
BEGINNING OF THE PERIOD	-184.6	-213.8	-19.4	-26.9	-12.0	-13.9	-11.2	-12.0	-227.2	-266.6
Perimeter variation	0.0	0.0	-47.5	0.0	-0.4	0.0	0.0	0.0	-47.9	0.0
Current service	-3.4	-5.0	-1.9	-0.1	-0.1	0.0	-0.8	-0.9	-6.2	-5.9
Past service	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Financial expense	-4.5	-0.6	-2.3	-0.3	-0.4	-0.1	-0.6	-0.4	-7.8	-1.4
Curtailment, settlement, plan amendment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gains (losses) resulting from experience	-2.2	-3.0	0.8	0.2	0.0	-0.7	0.1	-0.4	-1.3	-4.0

Employee Benefits *(in million €)*	Switzerland		Germany		Italy		Other		Total	
Actuarial gains (losses) resulting from changes in demographic assumptions	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Actuarial gains (losses) resulting from changes in financial assumptions	-23.9	42.1	-2.9	5.9	0.0	1.8	-0.2	1.7	-27.0	51.6
Foreign exchange gains (losses)	-11.6	-10.6	0.0	0.0	0.0	0.0	-0.4	-0.2	-12.0	-10.9
Paid benefits	11.1	10.7	5.5	1.5	0.7	0.9	0.6	0.9	17.8	14.0
Other	-4.9	-4.5	0.0	0.2	-0.3	0.0	0.3	0.1	-4.9	-4.2
Total change	*-39.0*	*29.2*	*-48.3*	*7.4*	*-0.6*	*1.9*	*-1.0*	*0.8*	*-88.8*	*39.4*
END OF THE PERIOD	-223.7	-184.6	-67.6	-19.4	-12.6	-12.0	-12.1	-11.2	-316.0	-227.2
Changes in assets during the year										
BEGINNING OF THE PERIOD	207.3	232.3	0.0	0.0	0.0	0.0	4.4	4.8	211.7	237.1
Perimeter variation	0.0	0.0	2.9	0.0	0.0	0.0	0.0	0.0	2.9	0.0
Financial income on plan assets	4.6	0.7	0.0	0.0	0.0	0.0	0.2	0.1	4.8	0.8
Company's contributions	6.1	5.7	0.1	0.0	0.0	0.0	0.2	0.2	6.5	5.9
Employees' contributions	4.9	4.5	0.0	0.0	0.0	0.0	0.1	0.1	5.0	4.6
Curtailment, settlement, plan amendment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payments	-11.1	-10.7	0.0	0.0	0.0	0.0	-0.1	-0.5	-11.2	-11.2
Actuarial gains (losses) from plan assets	12.3	-36.4	0.0	0.0	0.0	0.0	0.0	-0.1	12.3	-36.5
Foreign exchange gains (losses)	13.4	11.4	0.0	0.0	0.0	0.0	0.0	0.0	13.4	11.4
Asset ceiling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-0.2	-0.3	-0.2	0.0	0.0	0.0	0.0	0.0	-0.5	-0.3
Total change	*30.0*	*-25.0*	*2.8*	*0.0*	*0.0*	*0.0*	*0.3*	*-0.4*	*33.1*	*-25.4*
END OF THE PERIOD	237.3	207.3	2.8	0.0	0.0	0.0	4.7	4.4	244.9	211.7
Remeasurements recognised in OCI										
BEGINNING OF THE PERIOD – Other Comprehensive Income (OCI)	-17.9	-21.0	-4.0	-10.1	-2.7	-3.9	-1.5	-2.6	-26.2	-37.6
Other changes	***0.0***	***0.0***	***0.0***	***0.0***	***-0.2***	***0.0***	***0.2***	***0.0***	***0.0***	***0.0***
Actuarial gains (losses) following adoption of IAS 19R	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Actuarial gains (losses) resulting from changes in demographic assumptions	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Actuarial gains (losses) resulting from changes in financial assumptions	-23.9	42.1	-2.9	5.9	0.0	1.8	-0.2	1.7	-27.0	51.6
Gains (losses) resulting from experience	-2.2	-3.0	0.8	0.2	0.0	-0.7	0.1	-0.4	-1.3	-4.0
Actuarial gains (losses) from plan assets	12.3	-36.4	0.0	0.0	0.0	0.0	0.0	-0.1	12.3	-36.5
Asset ceiling	8.8	0.3	0.0	0.0	0.0	0.0	0.0	0.0	8.9	0.3
Total change	*-4.7*	*3.0*	*-2.1*	*6.1*	*-0.1*	*1.1*	*0.0*	*1.1*	*-6.9*	*11.4*
END OF THE PERIOD	-22.7	-17.9	-6.1	-4.0	-2.9	-2.7	-1.5	-1.5	-33.1	-26.2
Plan assets structure										
Shares	23.9%	6.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	23.9%	6.5%
Securities	59.5%	14.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	59.5%	14.4%
Cash	1.7%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.7%	0.3%
Other assets	15.0%	78.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.0%	78.8%
END OF THE PERIOD	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Assumptions used										
Discount rate	1.3%	2.2%	3.5%	3.9%	3.1%	3.3%	6.4%	6.1%		
Inflation rate	2.0%	2.0%	1.5%	1.5%	2.0%	3.4%	3.0%	3.0%		
Future salary rises	2.0%	2.0%	2.0%	2.0%	3.0%	1.0%	4.5%	4.7%		
Future pension rises	0.0%	0.0%	1.5%	1.5%	3.0%	4.1%	1.5%	2.5%		

The liability recognised under the "Provision for employee benefits", at 31 December 2023, stood at € 87.2 million, out of which € 84.5 million was unfunded, with an increase of € 48.6 million compared with the net liability of € 38.6 million at 31 December 2022.
A quantitative sensitivity analysis of the significant assumptions used at 31 December 2023 is provided below. Specifically, it shows the effects on the final net obligation arising from a positive or negative percentage change in the key assumption used.

	Switzerland		Germany		Italy		Other		Total	
	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	-6.2%	7.0%	-5.7%	6.3%	-3.2%	3.4%	-2.8%	3.0%	-5.8%	6.5%
Future salary	0.9%	-0.9%	0.2%	-0.2%	0.0%	0.0%	0.5%	-0.5%	0.7%	-0.7%
Future pension	3.8%	0.0%	4.8%	-4.5%	0.0%	0.0%	0.0%	0.0%	3.7%	-1.0%
Future inflation rate	0.0%	0.0%	3.5%	-3.2%	1.9%	-1.9%	0.0%	0.0%	0.8%	-0.8%

The sensitivity analysis shown above is based on a method involving extrapolation of the impact on the net obligation for defined benefit plans of reasonable changes to the key assumptions made at the end of the financial year.

The following payments are the expected contributions that will be made in future years to provide for the obligations of the defined benefit plans.

	Switzerland	Germany	Italy	Other	Total
Within 12 months	-11.9	-5.0	-0.9	-0.5	-18.4
From 1 to 5 years	-65.3	-18.3	-3.5	-2.7	-89.8
From 5 to 10 years	-68.7	-17.8	-6.3	-6.3	-99.0
Total	-145.9	-41.1	-10.7	-9.6	-207.2
Average plan duration (years)	12.9	9.8	7.9	12.9	10.9

Note 3.5 – Non-current financing and current loans

As at 31 December 2023, "Non-current financing and current loans" amounted to € 988.8 million versus € 897.8 million in the previous year, and was as follows:

	31.12.2023				31.12.2022			
	< 1 year	< 5 years	> 5 years	Total	< 1 year	< 5 years	> 5 years	Total
Fair value of Current and Non-current Financing	46.7	492.3	449.8	988.8	32.7	704.9	160.2	897.8

"Current financing" for loans was up € 14.0 million on the previous year; this is essentially attributable to the normal amortisation plan of medium/long-term debt. Meanwhile "Non-current financing" compared to 31 December 2022 was up € 77.0 million mainly due to new financing taken out in 2023.

In accordance with IFRS 16, below are the carrying amounts of financial liabilities arising from right-of-use assets broken down by maturity at 31 December 2023:

Expiry dates 31.12.2023 *(in € million)*	**0-12 months**	**2-5 years**	**>5 years**	**Total**
Financial payables				
- non-current loans		51.8	11.3	63.1
- current loans	25.1			25.1
Financial payables	**25.1**	**51.8**	**11.3**	**88.2**

Net financial indebtedness

The reconciliation with the Net Financial Indebtedness adjusted is set out below.

	Net Financial Indebtedness	2023	2022
	(€ million)		
A	Cash	451.2	999.2
B	Cash equivalents including the current financial assets	0.0	0.1
C	Other current financial assets	10.1	12.3
D	Liquidity (A+B+C)	461.3	1,011.6
E	Current financial liabilities	-75.7	-53.5
F	Current portion of non-current financial liabilities	-46.7	-32.7
G	Current Financial Indebtedness (E+F)	-122.5	-86.2
H	Net Current Financial Indebtedness (G-D)	338.9	925.4
I	Non-current financial liabilities	-942.1	-865.2
J	Non-current financing (Debt instruments)	0.0	0.0
K	Non-current Trade and Other Payables	-7.7	0.0
L	Non-Current Financial Indebtedness (I+J+K)	-949.8	-865.2
M	Net Financial Indebtedness (H+L) (*)	-610.9	60.2
N	Group Net Financial Indebtedness	-575.0	98.9
O	Δ M-N	-35.9	-38.6
	(*) ESMA 32-382-1138 guideline		

In preparing the statement of Net Financial Indebtedness, which is a non-IFRS measure, the Group considered the provisions set out in Consob Communication DEM/6064293 of 28 July 2006 and the ESMA Guidelines issued in May 2022, with the exception that it included non-current financial assets consisting of financial receivables and excluded outstanding debts associated with purchases of equity interest and positive MTM on derivatives.

At 31 December 2023, the Group recorded a negative Net Financial Indebtedness adjusted of € -575.0 million compared with the positive balance of € 98.9 million at 31 December 2022.

A reconciliation of the changes in financial assets and liabilities used in financing activities indicated in the cash flow statement and the balances shown on the financial statements is provided below:

	Non-current financing	Current financial liabilities	Current loans	Current financial assets	Total Net impact
31.12.2022	865.2	49.7	32.7	-47.1	900.4
Increase/decrease in short-term financial payables (1)	0.0	15.1	3.9	-4.5	14.5
New loans (1)	388.6	0.0	0.0	0.0	388.6
Loans repayment (1)	-444.7	0.0	0.0	0.0	-444.7
New lease contracts	37.6	0.0	0.0	0.0	37.6
Reclassification	-5.2	0.0	5.2	0.0	-0.0
Exchange rate effects	-0.5	-1.9	0.1	0.2	-2.1
Perimeter variation	101.2	2.1	4.9	-1.0	107.3
Net variation positive MTM	0.0	0.0	0.0	17.7	17.7
Other movements	0.0	7.6	-0.1	-0.4	7.1
31.12.2023	942.1	72.5	46.7	-35.1	1,026.2

(1): Included in the Cash flow Statement.

Note 3.6 – Other non-current liabilities

“Other non-current liabilities” amounted to € 20.5 million versus € 12.0 million in the previous year. These liabilities are represented primarily by debts to be extinguished beyond the year and non-current contract liabilities. For the disclosure about contract liabilities, refer to ‘Note 3.13 – Other current liabilities’.

“Other non-current liabilities” largely reflected the fair value of the debt resulting from the measurement of the individual obligations associated with Put and Call options on non-controlling interests in the recently acquired entities, primarily the newly Put and Call option agreement signed in May 2023 for the acquisition of the remaining 49% of the shares of the subsidiary Chromagen Australia. The option as at December 2023 is equal to € 6.7 million and will expire in 2026.

Note 3.7 – Non-current tax liabilities

“Non-current tax liabilities” amounted to € 3.9 million as 31 December 2023 up by € 2.1 million compared to the amount as at 31 December 2022. The increase was mainly due to the Tax claim regarding Ariston France.

Note 3.8 – Trade payables

“Trade payables” at 31 December 2023 amounted to € 463.7 million, showing a decrease of € 17.7 million, compared with 31 December 2022. They are not subject to interest and their carrying value is believed to be close to the fair value at the end of the reporting period.

Trade payables in terms of the average number of days for payment, amounted to 91.0 days in 2023 and 97.6 days in 2022. The decrease of the DPO is due to the perimeter variation of Wolf-Brink.

The reduction of trade payables is linked to careful management of procurement contracts and relevant terms and conditions.

Note 3.9 – Tax payables

“Tax payables” amounted to € 83.9 million versus € 53.0 million in 2022.

Tax payables *(in € million)*	31.12.2023	31.12.2022
Income tax payables	54.6	30.5
Tax payables due to Parent company	17.5	13.6
Other tax payables	11.8	8.8
Total	83.9	53.0

This item includes the income tax payables related to Italian and foreign companies. The increase in tax payables in 2023 is mainly reflected in the perimeter variation equal to € 29.4 million.

Ariston Holding N.V. is incorporated in the Netherlands but is a tax resident of Italy and is controlled by Merloni Holding S.p.A.. Ariston Holding N.V. and its Italian subsidiaries have adopted the national tax consolidation scheme. At 31 December 2023, the individual Italian companies' income tax receivables and payables were recorded from or to, respectively, Merloni Holding S.p.A.. These amounts are included in the “Tax payables” due to the controlling shareholder for tax consolidation.

Note 3.10 – Current provisions

This item amounts to € 68.9 million and is described in 'Note 3.3 - Non-current provisions for risks and charges', to which reference should be made.

Note 3.11 – Current financial liabilities

As at 31 December 2023, "Current financial liabilities" amounted to € 72.5 million versus € 49.7 million in the previous year.

Liabilities are as follows:

Current financial liabilities *(in € million)*	31.12.2023	31.12.2022
Financial derivative liabilities	23.9	10.5
Short-term debt due to bank	18.1	21.6
Financial notes payable	13.5	13.2
Other current financial liabilities	17.0	4.4
Total	72.5	49.7

As at 31 December 2023, "Financial derivative liabilities" amounted to € 23.9 million and included the negative fair value and derivatives closed but not paid yet of financial derivative instruments.
The fair value of financial derivatives included hedges on foreign exchange for € 9.7 million (€ 3.5 million as at 31 December 2022), on interest rates for € 8.5 (€0 million as at 31 December 2022), and on commodities for € 0.9 million (€ 1.3 million as at 31 December 2022).
The negative accruals to financial derivatives closed but not yet paid at the reporting date amounted to € 4.9 million.
The change in commodity, foreign exchange and interest rate hedges was offset by the change in the underlying hedged items. The fair value measurement of the derivative instruments has a direct contra-entry in the equity reserve related to the cash flow hedge for a total of € 24.4 million. For a more detailed explanation of hedging instruments, see the section on the instruments for financial risk management.

Short-term debt due to banks showed a € 3.5 million decrease as result of a lower draw-down of short-term lines.
Short-term uncommitted credit lines amounted to approximately € 423.8 million and consisted almost entirely of current account credit lines and advances utilised as at 31 December 2023 for € 51.8 million (€ 49.0 million as at 31 December 2022).

"Financial notes payable" amounted to € 13.5 million (€13.2 million as at 31 December 2022) and consisted of short-term debt for bank notes or similar tradable instruments issued, held by subsidiaries in China, and used in commercial transactions with customers and suppliers in order to settle supply agreements.

The item "Other current financial liabilities" amounted to € 17.0 million (€ 4.4 million as at 31 December 2022) and mainly consisted of interest accrual on medium/long-term loans.

Note 3.12 – Current loans

The balance of "Current loans" amounted to € 46.7 million versus € 32.7 million at 31 December 2022.
The item consists primarily of the short-term portion of medium/long-term bank loans, the details of which are attached to 'Note 3.5 - Non-current financing and current loans'.

Note 3.13 – Other current liabilities

“Other current liabilities” amounted to € 288.2 million, up by € 113.6 million on € 174.5 million at 31 December 2022.

Other current liabilities *(in € million)*	31.12.2023	31.12.2022
Current payables due to personnel	73.9	51.7
Contract liabilities	67.2	41.9
Customers credit balance	60.1	13.1
Indirect tax payables	38.3	29.2
Current payables for social security contributions	22.3	19.1
Advances from customers	10.5	5.6
Deferred income	8.1	4.8
Short-Term put/call debts	3.2	3.8
Long-Term employees incentive scheme (current)	0.2	0.3
State Green Programmes - Other payables	0.1	0.0
Other current payables	4.2	5.1
Total	288.2	174.5

In accordance with IFRS 15, performance obligations to customers at contract level are presented as contract liabilities.

Contract liabilities include:

- Rights of Return
- After-sales service, which include Service maintenance contracts and Service type warranties
- Loyalty program

	31.12.2023				31.12.2022			
	Up to 1 year	From 1 to 5 years	Over 5 years	Total	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Right of returns	2.5	0.0	0.0	**2.5**	2.7	0.0	0.0	**2.7**
After-sales services	47.0	4.2	7.2	**58.3**	39.1	3.7	7.8	**50.6**
Loyalty program	17.8	0.0	0.0	**17.8**	0.0	0.0	0.0	**0.0**
Total	67.2	4.2	7.2	78.6	41.9	3.7	7.8	53.4

The table below presents the opening and closing balances of contract liabilities as well as movements during the years:

	Right of returns	After-sales services	Loyalty program	Total
Opening Balance 01.01.2023	2.7	50.6	0.0	53.4
Perimeter variation	0.0	0.0	11.8	11.8
Increase recognised	0.0	109.2	18.8	128.0
Revenue recognised	0.0	-99.3	-8.6	-107.9
Contracts cancelled	0.0	-3.9	0.0	-3.9
Net variation invoicing	0.0	-0.8	0.0	-0.8
Pay out	0.0	0.0	-5.0	-5.0
Other changes to contract balances	-0.3	2.5	0.8	3.0
Closing balance 31.12.2023	2.5	58.3	17.8	78.6

“Current payables due to personnel” include the amounts accrued by personnel and not yet disbursed. The increase is mainly related to the perimeter variation that was equal to € 24.4 million at 31 December 2023.

The item “Indirect tax payables” includes the VAT payables due to tax authorities. The € 9.1 million increase was linked to the business and the acquisition of Wolf-Brink.

“Current payables for social security contributions” included all relationships that the company is required to maintain with social security and insurance entities for its employees and workers with atypical contracts (*parasubordinati*). It was up by € 3.2 million compared with 31 December 2022.

The item “Advances from customers” shows all advances received from customers for supplies not yet delivered. It was up by € 4.9 million compared to 31 December 2022.

“Deferred income” included adjustments of costs and revenues for the year in order to comply with the competence principle and the accrual principle (accruals and deferred income, also relating to financial liabilities).

The “Short-term put/call debts” arises from purchase agreements that are to be settled in the near future. The item showed a decrease, discussed below, of € 0.6 million. The balance as at 31 December 2023 includes the liability for the Put and Call on HAAS B.V. and the Chromagen Group.

Note 3.14 – Liabilities held for sale

There are no “Liabilities held for sale”.

6.6.4 Other disclosures

COMMITMENTS

Commitments

The commitments outstanding at 31 December 2023, equal to € 0.1 million, referred to the equivalent value of the payments (USD 0.1 million) of additional shares in an ''Investment company in risk capital (SICAR) provision'' specializing in interventions in sectors in which the Group operates, to be carried out when they are called up by the fund managers for the commitment established.

At 31 December 2023, there were no other commitments to be mentioned except for the ones concerning the call and put options entered into as part of the recent acquisitions and already accounted for as “Other liabilities”.

Guarantees issued

The sureties issued in favour of third parties amounted to € 0.6 million.

Third-party assets in deposit accounts amounted to € 13.5 million.

No collateral guarantees are issued by the Group.

FINANCIAL INSTRUMENTS

Below are the Group's financial instruments recognised by category and the level of confidence of their fair value measurements at 31 December 2023:

31.12.2023 *(in € million)*	Note	Carrying value per type: Fin. instr. at fair value through P&L	Fin. instr. at fair value through OCI	Loans & receivables	Fin. liabilities at amortised cost	Total	Fair value: Level 1	Level 2	Level 3	Total
Measured at :		Fair value	Fair value	Amortised cost	Amortised cost					
Financial assets										
Cash and cash equivalents	2.13	0.0	0.0	451.2	0.0	451.2	0.0	0.0	0.0	0.0
Trade receivables	2.9	0.0	0.0	361.3	0.0	361.3	0.0	0.0	0.0	0.0
Current financial assets	2.11	0.0	17.1	18.0	0.0	35.1	0.0	17.1	0.0	17.1
Financial assets	2.5	2.4	1.1	0.8	0.0	4.4	0.0	0.0	3.6	3.6
Total		2.4	18.2	831.3	0.0	852.0	0.0	17.1	3.6	20.7
Financial liabilities										
Trade payables	3.8	0.0	0.0	0.0	459.2	459.2	0.0	0.0	0.0	0.0
Current financial liabilities	3.11	0.0	19.1	0.0	53.4	72.5	0.0	19.1	0.0	19.1
Current loans	3.12	0.0	0.0	0.0	46.7	46.7	0.0	0.0	0.0	0.0
Non-current financing	3.5	0.0	0.0	0.0	942.1	942.1	0.0	0.0	0.0	0.0
Total		0.0	19.1	0.0	1,501.4	1,520.5	0.0	19.1	0.0	19.1
Financial instruments balance		2.4	-0.9	831.3	-1,501.4	-668.5	0.0	-2.0	3.6	1.6

(*) For such categories the carrying amount approximates the fair value

The financial instruments of the Group, recognised in the financial statements with a similar breakdown at 31 December 2022, are shown in the table below:

31.12.2022 *(in € million)*	Note	Carrying value per type: Fin. instr. at fair value through P&L	Fin. instr. at fair value through OCI	Loans & receivables	Fin. liabilities at amortised cost	Total	Fair value: Level 1	Level 2	Level 3	Total
Measured at :		Fair value	Fair value	Amortised cost	Amortised cost					
Financial assets										
Cash and cash equivalents	2.13	0.0	0.0	999.3	0.0	999.3	0.0	0.0	0.0	0.0
Trade receivables	2.9	0.0	0.0	308.4	0.0	308.4	0.0	0.0	0.0	0.0
Current financial assets	2.11	0.0	34.8	10.2	2.0	47.1	0.0	34.8	0.0	34.8
Financial assets	2.5	4.0	1.1	1.0	0.0	6.1	0.0	0.0	5.1	5.1
Total		4.0	35.9	1,318.9	2.0	1,360.8	0.0	34.8	5.1	39.9
Financial liabilities										
Trade payables	3.8	0.0	0.0	0.0	481.4	481.4	0.0	0.0	0.0	0.0
Current financial liabilities	3.11	0.0	4.8	0.0	44.8	49.7	0.0	4.8	0.0	4.8
Current loans	3.12	0.0	0.0	0.0	32.7	32.7	0.0	0.0	0.0	0.0
Non-current financing	3.5	0.0	0.0	0.0	865.2	865.2	0.0	0.0	0.0	0.0
Total		0.0	4.8	0.0	1,424.0	1,428.8	0.0	4.8	0.0	4.8
Financial instruments balance		4.0	31.1	1,318.9	-1,422.0	-68.0	0.0	30.0	5.1	35.0

(*) For such categories the carrying amount approximates the fair value
Notes:
Level 1: listed prices on an active market for the asset or liability being measured.
Level 2: inputs other than listed prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).
Level 3: unobservable inputs for the asset or liability.

As the above table shows, at the reporting date, there were no differences between the carrying amounts of financial instruments and the corresponding fair value. In particular, among the non-current financial assets, obligations are mainly stated at fair value.

Current and non-current loans are at both fixed and floating rates and are recognised at their amortised cost.
As already described in 'Note 3.11 – Current financial liabilities' and in 'Note 2.11 – Current financial assets' of these notes, current financial assets/liabilities include the fair value, at the end of the reporting period, of the derivative financial instruments used to hedge the purchase of commodities (negative for € 0.7 million), exchange rates (negative for € 9.3 million) and interest rates (positive for € 8.0 million).
For details on these transactions, see the section "Hedging instruments".
The Group is exposed to operations with related financial risks, including credit risk, liquidity risk and market risk, and constantly monitors them.
The following section provides qualitative and quantitative information about the impact of these risks on the Group.

Financial instruments at fair value through OCI include the fair value of derivatives mainly on interest rates, exchange rates and commodities for which the Group has applied 'Cash flow hedging' (IFRS 9 - Hedge Accounting).

CREDIT RISK

Credit risk is the Group's exposure to potential losses from failure by commercial counterparties to fulfil obligations they have entered into. Failure to collect or late collection of trade receivables could impact negatively on the Group's economic results and financial equilibrium.
The Group's policy for managing credit risk from commercial activities envisages the preliminary assessment of counterparties' creditworthiness, the management of credit limits and the adoption of risk mitigation instruments, such as the acquisition of bank guarantees, letters of credit and the external transfer of part of the insolvency risk through a global program of credit insurance.
The portion of secured receivables, at 31 December 2023, was 63.7% 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.

In accordance with IFRS9 and the impairment requirement based on Expected Credit Losses ("ECL"), the Group applies, for trade receivables, the simplified approach using a provision matrix.
In particular, the Group applies a new Policy based on the division of trade receivables into clusters on the basis of type (ordinary/legal), ageing (past-due ranges) and country rating and applying the relevant historical loss rates to the balance outstanding and then adjusting for forward-looking factors determined by the counterparty Probability of Default (PD) at one year obtained from external resources. The policy is applied to the Group perimeter excluding the new acquisitions for which the extension is planned to start from the following year.

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 2023 was € 131.1 million. The Group has not identified any concentration risk on customers and on its trade receivables as the Group has a very diversified customer risk portfolio without any significant increase in a risky customer share. The Group seeks to mitigate the credit risk by depositing its liquidity in leading bank and corporate counterparties selected according to their credit quality. All receivables on book have a credit risk rating minimum.
The table below summarises the types of instruments protecting against credit risk used by the Group:

Type *(in € million)*	31.12.2023	%	31.12.2022	%
Receivables under insurance policies	211.5	58.5%	192.4	62.4%
Other financial means of securing	18.7	5.2%	5.7	1.9%
Total secured receivables	230.2	63.7%	198.1	64.2%
Non-secured receivables	131.1	36.3%	110.3	35.8%
Total receivables	361.3	100.0%	308.4	100.0%

"Other" mainly includes receivables insured through letters of credit and bank guarantees and different methods of covering the default risk though a system introduced by the acquisition of Wolf-Brink called the Central Payment Regulator System.

Overdue financial assets

The instrument used for the classification and monitoring of credit is ageing, according to which the accounts receivables 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 € 24.3 million (versus € 26.0 million at December 2022) whereas the amount of receivables past-due beyond 60 days is € 20.2 million (versus € 16.2 million at December 2022).
For the purposes of representing trade receivables for issued invoices by past-due ranges, the following table is provided:

Overdue ageing *(in € million)*	31.12.2023	%	31.12.2022	%
Overdue 0-30	17.6	4.9%	19.3	6.3%
Overdue 31-60	6.7	1.9%	6.7	2.2%
Overdue 61-120	7.9	2.2%	3.9	1.2%
Due after 120 and legal	12.3	3.4%	12.3	4.0%

The credit policy defines the depreciation grid for the statistical part, differentiating percentages by ageing and country risk class where the trade receivable amount is allocated.
The current (not overdue) receivables amounted to € 316.8 million. Also these amounts are allocated to their country risk class and subject to depreciation according to the assigned devaluation percentage. The related provision for bad debt amounted to € 5.4 million.
Companies with a credit insurance contract, as well as credits covered by other forms of guarantee, are not subject to impairment up to overdue below 180 days, while over 180 days the percentages remain the same.

As at 31 December 2023 there is no significant financing component identified for trade receivables.

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 historical loss rates in relation to the ageing of receivables and the risk grade of each individual country, adjusting them through a forward-looking component identified as Probability of Default of the single counterparty at one year. Here below are the percentages used for the simplified IFRS 9 (ECL).

Depreciation grid

Trade receivables ageing	Country risk A	Country risk B	Country risk C	Country risk D
Overdue > 360 days	54.3%	73.9%	66.6%	49.0%
Overdue 271- 360	39.6%	59.8%	36.5%	25.3%
Overdue 181- 270	24.6%	38.5%	18.5%	19.2%
Overdue 121-180	14.1%	22.9%	8.4%	11.8%
Overdue 91-120	9.4%	14.6%	3.4%	8.5%
Overdue 61-90	5.2%	8.3%	1.5%	4.4%
Overdue 31-60	2.0%	3.1%	0.6%	1.8%
Overdue 0-30	0.4%	0.5%	0.2%	0.4%
Current (not overdue)	0.1%	0.1%	0.1%	0.2%

The Group has established an internal model for defining country-risk classes. The model starts from OECD and Coface country rating, adjusting them according to Ariston companies past credit experience in performances, business relations and control of the market. This allows to classify all the countries where Ariston group operates in 4 risk categories from A (low risk) to D (high risk) which result in the application of different impairment measures according to the level of risk assigned.

Following is the summary of the specific and simplified ECLs assessments used to determine the bad debt provision:

Analysis of bad debt provision		31.12.2023	31.12.2022
Total receivables	Gross	382.5	325.4
	Provision	21.2	17.0
	Net	361.3	308.4
Receivables impaired on a specific basis	Gross	4.2	5.2
	Provision	4.1	4.7
	Net	0.1	0.5
Receivables impaired on a simplified ECLs	Gross	378.3	320.2
	Provision	17.1	12.3
	Net	361.2	307.9

LIQUIDITY RISK

As at 31 December 2023, the Group's "Overall available liquidity", defined as the sum of cash and cash equivalents and the unused portion of committed credit lines (equal to € 895 million at December month-end) amounted to approximately € 1,346 million.
As of 31 December 2023, the Group's overall bank credit lines, including the used and unused credit lines (both committed and uncommitted) totalled approximately €2.2 billion, of which approximately 43% was drawn.
Cash generated from operations and bank financing are the primary sources of liquidity.
The Group periodically assesses its financial needs, in order to act promptly and implement the necessary actions to find additional resources when needed. The Group seeks to maintain an adequate mix of resources in terms of maturities, financial instruments and available amounts.

The following table shows the contractual expiry dates for the financial liabilities other than derivatives. These figures are based on non-discounted cash flows, including financial charges, as at the next closest date when the Group may be asked for the payment.

Expiry dates 2023 *(in € million)*	< 1 month	2-6 months	6-12 months	1-5 years	> 5 years	Total
Trade payables	146.2	313.4	3.6	0.5		463.7
Financial payables						
- Current financial liabilities	6.0	50.5	16.6			73.1
- Current loans			46.6			46.6
- Non-current financial liabilities						0.0
- Non-current loans	10.0	6.7	15.1	592.9	475.6	1,100.3
Total financial payables	16.0	57.2	78.3	592.9	475.6	1,220.0
Expiry dates	162.2	370.6	81.9	593.4	475.6	1,683.7

The details for the expiry dates of financial and trade payables as at 31 December 2022 are shown in the table below:

Expiry dates 2022 *(in € million)*	< 1 month	2-6 months	6-12 months	1-5 years	> 5 years	Total
Trade payables	121.1	359.9	0.0	0.4		481.4
Financial payables						
- Current financial liabilities	10.7	18.0	20.9			49.7
- Current loans		4.1	28.6			32.7
- Non-current financial liabilities						0.0
- Non-current loans		5.4	5.0	736.4	169.9	916.7
Total financial payables	10.7	27.5	54.5	736.4	169.9	999.1
Expiry dates	131.8	387.4	54.5	736.8	169.9	1,480.5

MARKET RISK

The Group is exposed to several market risks and, in particular, to the possibility that fluctuation in exchange rates, interest rates and commodity prices may affect the value of assets, liabilities and the expected cash flows.
The market risk management policies applied to interest rates, exchange rates and commodities, are centrally defined to mitigate the above risks in a structured and proactive manner in the advancement of the Group's objectives.
The three types of market risk can be 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, Chinese renminbi, Swiss franc and several other currencies for lower amounts.

The economic risk is hedged through average rate forward financial instruments, i.e. hedging agreements against the volatility that characterises the currency markets, using as a reference the monthly average exchange rates, and that allow the Group to achieve the goals set out in its market risk management policy. In order to pursue these goals, the Group put into derivatives hedging a set proportion of net exposure in currencies other than the Group's currency. At each reporting date, the exposure is presented in the financial statements using hedge accounting, which requires recognising derivatives at their fair value in the statement of financial position. The Group considered it possible to use hedge accounting since the hedging relationship is effective in accordance with IFRS 9.

In order to minimise the exposure to the transaction risk, the Group uses derivative forward instruments which allow for protection against revaluations/write-downs at the due date of the credit and debit positions of a financial and commercial nature.

The Group does not hedge the translation risk except for any distribution of intergroup dividends.

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	150.3	162.3
GBP	14.3	16.4
CNY	367.7	46.8
USD	12.5	11.3

At the same date, the fair value of the foreign exchange derivatives was overall negative, standing at € 9.2 million.

In relation to exchange rate risk, the Group performed sensitivity analysis to measure how exchange rate fluctuations against the euro may affect pre-tax profitability. The sensitivity analysis was performed on the currencies to which the Group is exposed. The hypothesised scenario envisages a general variation in exchange rates of 2% and the following table shows the sensitivity, while keeping all the other variables fixed, in terms of the profit before tax and equity, gross of the tax effect. The biggest exposures are CHF and CNY, in the sensitivity analysis the two exposures tend to offset each other as they are in the opposite side.

(in € million)	**Effect on profit before tax**	Effect on equity
	31.12.2023	
Foreign currency revaluation	1.1	1.1
Foreign currency devaluation	-1.1	-1.1

Commodity price fluctuation risk

Profit and loss are affected by the performance of the prices of raw materials, in particular as regards non-ferrous metals such as copper, nickel and aluminium, as well as precious metals like silver, which represent one of the primary components of the majority of products traded by the Group.

For hedging purposes against the risk of fluctuating prices for copper, silver and nickel, the Group provided, through the parent company Ariston Holding N.V., for the necessary hedging measures in line with the procedures already adopted in the previous years aimed at reducing the impact of price volatility in purchases over coming years.

Thus, the Group partly hedged purchases also for the years 2024, 2025 and 2026.

In order to achieve the goals set out in the market risk management policy, the Group entered into derivatives, hedging a set proportion of raw material purchases. At each reporting date, the exposure is presented in the financial statements using hedge accounting, which requires recognising derivatives at their fair value in the statement of financial position.

The Group considered it possible to use hedge accounting since the hedging relationship is effective in accordance with IFRS 9.

When these instruments no longer qualify for hedge accounting, they are recognised as trading instruments.

At the reporting date, the notional amount of forward commodity contracts entered into by the Group, can be summarised as follows:

Commodity	Financial instruments	Quantity/ton	Total price *(in € million)*
Copper	Forward	1,680.0	13.2
Nickel	Average Forward	46.0	0.9
Silver	Average Forward	2.6	1.8
Aluminium	Forward	1,175.0	2.9

At the same date, the fair value measurement of the derivatives on commodities showed a net negative amount of € 0.7 million.
Derivatives contracts entered into and closed during the year realised a negative result amounting to approximately € 0.2 million which impacted the purchase cost of commodities.

Interest rate risk

Interest rate risk refers to the possible impact on the income statement deriving from fluctuations in the interest rates applied to the Group's loans.
The amount of the Group's variable rate debt exposure, not hedged against interest rate risk, represents the main element of risk for the negative impact from an increase in market interest rates. The interest rate risk to which the Group is exposed originates primarily from bank financing.
The Group's policy for managing this risk seeks to strike a balance between fixed and variable rate debts, taking into account the maturity profile, the short-term market outlook, with the purpose of containing funding costs.
As at 31 December 2023, the Group had, for hedging purposes, interest rate swap (IRS) transactions for a total notional amount of € 535.5 million.
At the same date, 64% of bank financing was hedged or fixed and 36% was at a variable rate, consistent with the Group policy.

The sensitivity analysis of interest rate risk is conducted under the delta margin approach and is aimed at measuring how a given change in interest rates would affect financial expense associated with variable rate debt over the next 12 months.

The sensitivity of the interest rate spread, assuming a generalised +/- 50 basis point change in interest rates, amounted to € +1.5 million and € -1.5 million, respectively, at the end of December 2023.

HEDGING INSTRUMENTS

In summary, at 31 December 2023, the following financial hedging instruments are in place:

- against exchange rates – Swiss franc, British pound sterling, US dollar and Chinese renminbi with maturities up to 2 years;
- against commodities – copper, nickel, silver, aluminium and steel with maturities up to 3 years;
- against interest rates – medium/long-term floating rate loans with maturities up to 8 years.

The hedging instruments applied to exchange rates were set up in order to reduce the Group's economic and transactional risk, and they meet all the formal requirements set out in the IAS/IFRSs and are therefore recognised in hedge accounting.

The following table shows the details of hedging instruments in use as at 31 December 2023. The high volatility on IRS price curve in 2023 generated the biggest change in values compared to the previous years. The amounts are expressed in millions of euro:

Hedging instruments 31.12.2023 *(in € million)*	Nature of risk covered	Fair value 31.12.2023	Non-current financial assets	Current financial assets	Non-current financial liabilities	Current financial liabilities	Total
Interest Rate Swap	Interest rate	8.0	-	16.5	-	-8.5	8.0
Average Forward	FX	-9.3	-	0.4		-9.7	-9.3
Forward	Commodity	-0.5	-	0.2	-	-0.7	-0.5
Average Forward	Commodity	-0.2	-	-	-	-0.2	-0.2
Hedging instruments		-2.0	-	17.1	-	-19.1	-2.0

The following table shows the details of hedging instruments in use as at 31 December 2023. The amounts are expressed in millions of euro:

Hedging instruments 31.12.2022 *(in € million)*	Nature of risk covered	Fair value 31.12.2022	Non-current financial assets	Current financial assets	Non-current financial liabilities	Current financial liabilities	Total
Interest Rate Swap	Interest rate	32.5		32.5			32.5
Average Forward	FX	-2.0		1.5		-3.5	-2.0
Forward	Commodity	-1.1		0.2		-1.3	-1.1
Average Forward	Commodity	0.5		0.5		0.0	0.5
Hedging instruments		30.0		34.8		-4.8	30.0

RELATED PARTY DISCLOSURES

At 31 December 2023 Ariston Holding N.V., controlled by Merloni Holding S.p.A., and its Italian subsidiaries, adopted the national tax consolidation scheme. At 31 December 2023, the income tax receivables and payables of the individual Italian companies were recorded from or to, respectively, Merloni Holding S.p.A. At 31 December 2023, the Company and its Italian subsidiaries had a payable position from Merloni Holding S.p.A. for € 11.7 million. All tax receivables and payables are non-interest-bearing.
All transactions with related parties were carried out in the Group's interest.

Based on the transactions carried out by the Ariston Group during 2023, related parties are mainly represented by:

- companies directly and/or indirectly related to the majority shareholder of Ariston Holding N.V.;
- directors and/or companies related to the same.

The following table shows the figures of the main transactions with related parties:

	31.12.2023				31.12.2022			
(in € million)	Receivables	Payables	Revenue	Costs	Receivables	Payables	Revenue	Costs
Merloni Holding S.p.A.	16.4	28.1	0.1	0.1	7.2	13.8	0.1	0.1
Novapower S.r.l.	0.0	0.2	0.0	0.3	0.0	0.3	0.0	0.3
Fondazione A. Merloni	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.5
Nova Re S.r.l.	0.0	0.1	0.0	0.3	0.0	0.3	0.0	0.2
Novacapital S.r.l.	0.1	0.0	0.1	0.0	0.1	0.2	0.1	0.2
Centrotec Building Technology	0.1	1.7	0.3	5.0	n/a	n/a	n/a	n/a
Centrotec Immobilien GmbH	0.0	0.0	0.0	0.1	n/a	n/a	n/a	n/a
Centrotec SE	0.0	0.0	0.0	0.7	n/a	n/a	n/a	n/a
Centrotherm Gas Flue Technologies	0.0	0.0	0.0	0.1	n/a	n/a	n/a	n/a
Centrotherm Systemtechnik GmbH	0.0	0.1	0.0	3.8	n/a	n/a	n/a	n/a
CS Wismar GmbH	0.0	0.0	0.0	2.2	n/a	n/a	n/a	n/a
Hardpark Fürth GmbH	0.0	0.0	0.0	0.1	n/a	n/a	n/a	n/a
XCNT GmbH	0.0	0.0	0.0	0.3	n/a	n/a	n/a	n/a
Ubbink BV	0.0	0.1	0.4	2.5	n/a	n/a	n/a	n/a
Ubbink NL	0.1	0.0	3.7	0.1	n/a	n/a	n/a	n/a
Ubbink UK Ltd.	0.0	0.0	0.0	0.3	n/a	n/a	n/a	n/a
Total	16.7	30.4	4.8	16.2	7.3	14.6	0.1	1.3

As regards transactions with related parties, it should be noted that they are not to be qualified as atypical or unusual but should be included in the normal course of operations carried out by Group companies. These transactions are regulated by market conditions and based on the characteristics of the services provided. Transactions carried out by the Group with these related parties are primarily of a commercial nature except for Merloni Holding S.p.A. where transactions mainly consisted in the relationship for the national tax consolidation.
In addition, members of the Ariston Board and executives with strategic responsibilities and their families are also considered related parties.

REMUNERATION PAID TO THE PARENT COMPANY'S BOARD OF DIRECTORS

Fees attributable to the year and represented by remuneration to Directors of the Parent Company, at 31 December 2023, are summarised as follow:

Office *(in € million)*	Year	Fixed remuneration Base salary	Fixed remuneration Fees	Variable remuneration Short-term incentive	Extraordinary item
Directors	2023	2.6	0.7	0.9	1.0
Total		2.6	0.7	0.9	1.0

Notes:
- *Fixed remuneration does not include Benefits and Perks*
- *Variable remuneration does not include the Long-term incentive*
- *Base Salary includes: i. for the Executive Chair, the employee gross salary as well as the executive director fee; ii. for the former chief executive officer the executive director fee; iii. for the new chief executive officer the employee gross salary , the executive director fee and the non-compete consideration*
- *Fees include the non-executive directors' fees as well as the committee membership remuneration*
- *Short-term incentive includes: the actual amount for the year of performance, not yet paid*
- *Extraordinary item includes the retention one-off payment to the former chief executive officer*

Both the remuneration of the executive directors and the non-executive directors have been included in 'Note 3.1.1 – Stock-based incentive plan payments'.

AUDIT FEES

The fees for services provided by the Company's independent auditors to the Company and its subsidiaries are broken down as follows:

Audit fee *(in € million)*	31.12.2023	31.12.2022
Audit fees	2.3	2.0
Other non-audit services	0.0	0.0
Total	2.3	2.0

The fees for audit services provided in 2023 by Ernst & Young Accountants LLP are equal to € 0.2 million (€ 0.3 million in 2022).

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting date to be mentioned in this report.

LIST OF COMPANIES AT 31 DECEMBER 2023

No.	Company	Registered office	Curr.	Share capital	Business unit (*)	Investing companies	Direct controlling interest	Subsidiaries' controlling interest	Minority interest
1	Ariston Holding N.V.	Netherlands	EUR	46,476,002	TC				
2	Air Install B.V.(1)	Netherlands	EUR	10,000	TC	Air Install Group B.V.		100.00	
3	Air Install Group B.V.(1)	Netherlands	EUR	18,154	TC	Brink Climate Systems B.V.		100.00	
4	AR1 S.r.l.	Italy	EUR	200,000	TC	Ariston S.p.A.		100.00	
5	Ariston Benelux S.A./N.V.	Belgium	EUR	15,000,000	TC	Ariston Holding N.V.	100.00		
6	Ariston Climate Solutions D.o.o. Svilajnac	Serbia	RSD	11,740,000	TC	ATAG Heating B.V.		100.00	
7	Ariston Climate Solutions Mexico S.A. de C.V.	Mexico	MXN	2,350,000,000	TC	Elcotherm AG		99.99	
						Atag Heating B.V.		0.01	
8	Ariston Climate Systems GmbH (1)	Germany	EUR	25,000	TC	Ariston Holding N.V.	100.00		
9	Ariston Croatia d.o.o.	Croatia	EUR	110,000	TC	Ariston Holding N.V.	100.00		
10	Ariston CZ S.r.o.	Czech Republic	CZK	30,000,000	TC	Ariston Holding N.V.	100.00		
11	Ariston Deutschland GmbH	Germany	EUR	255,700	TC	Elco International GmbH		100.00	
12	Ariston Egypt LLC	Egypt	EGP	10,900,000	TC	Ariston Group Water Heating Solutions Egypt LLC		99.99	
						Ariston Holding N.V.	0.01		
13	Ariston France S.a.s.	France	EUR	54,682,110	TC	Ariston Holding N.V.	99.99		
						Elco International GmbH		0.01	
14	Ariston Group Greece P.C.(1)	Greece	EUR	2,500,000	TC	ATAG Heating B.V.		100.00	
15	Ariston Group India Private Limited	India	INR	457,500,000	TC	Ariston Holding N.V.	99.99		
						Ariston S.p.A.		0.01	
16	Ariston Group Water Heating Solutions Egypt LLC	Egypt	EGP	100,000	TC	ATAG Heating B.V.		99.00	
						Ariston Holding N.V.	0.01		
17	Ariston Gulf Water Heating LLC	UAE	AED	400,000	TC	Ariston Holding N.V.	100.00		
18	Ariston Heating Solutions (China) Co. Ltd.	China	CNY	145,885,010	TC	Ariston Holding N.V.	100.00		
19	Ariston Heating Technology Nigeria Ltd.	Nigeria	NGN	10,000,000	TC	Ariston Holding N.V.	100.00		
20	Ariston Holding USA LLC	USA	USD	77,037,666	TC	Elcotherm AG		100.00	
21	Ariston Hungária Kft.	Hungary	HUF	131,000,000	TC	Ariston Holding N.V.	100.00		
22	Ariston Iberica S.L.	Spain	EUR	800,000	TC	Ariston Holding N.V.	100.00		
23	Ariston Industrial Vietnam Co. Ltd.	Vietnam	VND	41,600,000,000	TC	Ariston Holding N.V.	100.00		
24	Ariston Kazakhstan LLP	Kazakhstan	KZT	212,100	TC	Ariston Holding N.V.	100.00		
25	Ariston Maroc SA	Morocco	MAD	3,000,000	TC	Ariston Holding N.V.	100.00		
26	Ariston Polska Sp. zo.o.	Poland	PLN	12,000,000	TC	Ariston Holding N.V.	100.00		
27	Ariston Pte Ltd.	Singapore	SGD	100,000	TC	Ariston Holding N.V.	100.00		
28	Ariston S.p.A.	Italy	EUR	30,100,000	TC	Ariston Holding N.V.	100.00		
29	Ariston Sales Mexico S.A. de C.V.	Mexico	MXN	302,188,920	TC	Ariston Climate Solutions Mexico S.A. de C.V.		0.03	
						Calentadores de America S.A. de C.V.		99.97	
30	Ariston South Africa (Pty) Ltd.	South Africa	ZAR	100	TC	Ariston Holding N.V.	100.00		
31	Ariston Thermo Argentina S.r.l.	Argentina	ARS	16,805,269	TC	Ariston Holding N.V.	99.64		
						Thermowatt S.p.A.		0.36	
32	Ariston Thermo Romania S.r.l.	Romania	RON	29,041,740	TC	Ariston Holding N.V.	100.00		
33	Ariston Thermo Rus LLC	Russia	RUB	1,403,787,727	TC	Ariston Holding N.V.	100.00		
34	Ariston Thermo Tunisie SA	Tunisia	EUR	500,000	TC	Elcotherm AG		66.70	
						Third parties			33.30
35	Ariston U.K. Ltd.	UK	GBP	7,500,000	TC	Ariston Holding N.V.	100.00		

No.	Company	Registered office	Curr.	Share capital	Business unit (*)	Investing companies	Direct controlling interest	Subsidiaries' controlling interest	Minority interest
36	Ariston Ukraine LLC	Ukraine	UAH	38,705,753	TC	Ariston Holding N.V.	100.00		
37	Ariston USA LLC	USA	USD	10,275,184	TC	Ariston Holding USA LLC		100.00	
38	Ariston Vietnam CO. Ltd.	Vietnam	VND	31,471,000,000	TC	Ariston Holding N.V.	100.00		
39	Atag Construction B.V.	Netherlands	EUR	1	TC	Atag Heating B.V.		100.00	
40	Atag Electronics B.V.	Netherlands	EUR	1	TC	Atag Heating B.V.		100.00	
41	Atag Engineering B.V.	Netherlands	EUR	1	TC	Atag Heating B.V.		100.00	
42	Atag Heating B.V.	Netherlands	EUR	10,000	TC	Ariston Holding N.V.	100.00		
43	Atag Heizungstechnik GmbH	Germany	EUR	512,000	TC	Atag Heating B.V.		100.00	
44	Atag Verwarming Belgie B.V.BA	Belgium	EUR	18,600	TC	Atag Heating B.V.		100.00	
45	ATM1 HR S.A. de C.V.	Mexico	MXN	50,000	TC	Atag Heating B.V.		99.99	
						Elcotherm AG		0.01	
46	Atmor (Dongguan) Electronic Technology Co. Ltd.	China	USD	1,000,000	TC	Atmor Electronic Technology Company Ltd		100.00	
47	Atmor Electronic Technology Company Ltd.	Hong Kong	HKD	10,000	TC	Atmor Industries LTD		100.00	
48	Atmor Industries Ltd.	Israel	USD	1,790,409	TC	Elcotherm AG		100.00	
49	BCE S.r.l.	Italy	EUR	10,400	BUR	Ecoflam Bruciatori S.p.A.		100.00	
50	Brink Climate Systems B.V. (1)	Netherlands	EUR	20,004	TC	Ariston Climate Systems GmbH		100.00	
51	Brink Climate Systems Deutschland GmbH (1)	Germany	EUR	450,000	TC	Brink Climate Systems B.V.		100.00	
52	Brink Climate Systems France S.a.s. (1)	France	EUR	10,000	TC	Brink Climate Systems B.V.		100.00	
53	Calentadores de America S.A. de C.V.	Mexico	MXN	1,226,593,637	TC	Ariston Climate Solutions Mexico S.A. de C.V.		99.99	
						Atag Heating B.V.		0.01	
54	Chromagen Australia PTY Ltd.	Australia	AUD	10,358,995	TC	Elcotherm AG		51.00	
						Third parties			49.00
55	Chromagen Israel Ltd.	Israel	ILS	10,901	TC	Elcotherm AG		100.00	
56	ComfortExpert B.V. (1)	Netherlands	EUR	10,000	TC	Air Install Group B.V.		100.00	
57	Cuenod S.a.s.	France	EUR	15,422,390	BUR	Ariston France sas		100.00	
58	Domotec AG	Switzerland	CHF	50,000	TC	Elcotherm AG		100.00	
59	Ecoflam Bruciatori S.p.A.	Italy	EUR	3,690,000	BUR	Ariston Holding N.V.	100.00		
60	Elco Austria GmbH	Austria	EUR	35,000	TC	Elcotherm AG		100.00	
61	Elco B.V.	Netherlands	EUR	2,046,004	TC	Elco Burners B.V.		100.00	
62	Elco Belgium S.A./N.V.	Belgium	EUR	2,650,000	TC	Ariston Benelux S.A./N.V.		99.99	
						Elco B.V.		0.01	
63	Elco Burners B.V.	Netherlands	EUR	22,734	BUR	Atag Heating B.V.		100.00	
64	Elco Burners GmbH	Germany	EUR	25,000	BUR	Elco International GmbH		100.00	
65	Elco GmbH	Germany	EUR	50,000	TC	Elco International GmbH		100.00	
66	Elco Heating Solutions Ltd.	UK	GPB	3,001,750	TC	Ariston U.K. Ltd.		100.00	
67	Elco International GmbH	Germany	EUR	8,691,962	TC	Ariston Holding N.V.	100.00		
68	Elco Italia S.p.A.	Italy	EUR	3,500,000	TC	Ariston S.p.A.		100.00	
69	Elcotherm AG	Switzerland	CHF	1,000,000	TC	Ariston Holding N.V.	100.00		
70	Gastech-Energi A/S	Denmark	DKK	7,554,935	TC	Ariston Holding N.V.	100.00		
71	Holmak export import D.o.o.e.l. (1)	Macedonia	MKD	816,651	TC	Holmak HeatX B.V.		100.00	
72	Holmak HeatX B.V. (1)	Netherlands	EUR	38,500	TC	Brink Climate Systems B.V.		100.00	
73	Ingrado S.r.l.	Italy	EUR	10,000	TC	Ariston Holding N.V.	100.00		
74	Innosource B.V. (1)	Netherlands	EUR	18,000	TC	Holmak HeatX B.V.		100.00	
75	Instachauf S.a.s.	France	EUR	200,000	TC	Ariston Holding N.V.	100.00		

No.	Company	Registered office	Curr.	Share capital	Business unit (*)	Investing companies	Direct controlling interest	Subsidiaries' controlling interest	Minority interest
76	MTG Service Single Member P.C. (1)	Greece	EUR	10,000	TC	Ariston Group Greece P.C.		100.00	
77	Ned Air B.V. (1)	Netherlands	EUR	54,000	TC	Ariston Climate System GmbH		100.00	
78	NTI Boilers Inc.	Canada	CAD	43,000,000	TC	Ariston Holding N.V.	100.00		
79	NTI USA Inc.	USA	USD	100	TC	NTI Boilers Inc.		100.00	
80	Pro-Klima D.o.o. (1)	Croatia	EUR	1,208,786	TC	Wolf GmbH		100.00	
81	PT Ariston Group Indonesia Ltd.	Indonesia	IDR	16,260,750,000	TC	Ariston Holding N.V.	99.93		
						Ariston Pte Ltd.		0.07	
82	Racold Thermo Private Ltd.	India	INR	262,134,750	TC	Ariston Holding N.V.	99.99		
						Ariston S.p.A.		0.01	
83	S.H.E. d.o.o. Svilajnac	Serbia	RSD	35,432,220	COM	Thermowatt S.p.A.		100.00	
84	SPM Innovation S.a.s.	France	EUR	750,020	BUR	Ariston Holding N.V.	100.00		
85	Tasfiye Halinde Ariston Thermo Isıtma ve Soğutma Sistemleri İthalat ve İhracat ve Dağıtım Ltd.Şti.	Turkey	TRY	66,157,500	TC	Ariston Holding N.V.	100.00		
86	Thermowatt (Wuxi) Electric Co. Ltd.	China	CNY	82,769,200	COM	Ariston Heating Solutions (China) Co. Ltd.		70.00	
						Ariston Holding N.V.	30.00		
87	Thermowatt Professional S.r.l.	Italy	EUR	100,000	COM	Thermowatt S.p.A.		100.00	
88	Thermowatt S.p.A.	Italy	EUR	7,700,000	COM	Ariston Holding N.V.	100.00		
89	WOLF Energiesparsysteme O.O.O. (1)	Russia	RUB	113,200,000	TC	Wolf GmbH		99.00	
						Wolf Power Systems		1.00	
90	Wolf Energiesystemen B.V.(1)	Netherlands	EUR	150,000	TC	Wolf GmbH		100.00	
91	Wolf France S.a.s.(1)	France	EUR	1,040,000	TC	Wolf GmbH		100.00	
92	Wolf GmbH (1)	Germany	EUR	20,000,000	TC	Ariston Climate Systems GmbH		100.00	
93	Wolf HVAC HK Ltd. (1)	Hong Kong	HKD	10,000	TC	Wolf GmbH		100.00	
94	Wolf HVAC Systems (Shanghai) Co. Ltd. (1)	China	CNY	14,512,361	TC	Wolf GmbH		100.00	
95	Wolf Iberica Climatization Y Calefacion SA (1)	Spain	EUR	1,181,315.74	TC	Wolf GmbH		100.00	
96	Wolf Italia S.r.l. (1)	Italy	EUR	100,000	TC	Wolf GmbH		100.00	
97	Wolf Power Systems GmbH (1)	Germany	EUR	500,000	TC	Wolf Power Systems Holding		89.00	
						Wolf GmbH		11.00	
98	Wolf Power Systems Holding GmbH	Germany	EUR	83,333	TC	Elco International GmbH		100.00	
99	Wolf Technika Grzewcza Sp.zo.o. (1)	Poland	PLN	3,189,000	TC	Wolf GmbH		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 IFRS3 (see the specific treatment of the individual put/call options in the notes).

All companies summarised in the table above are consolidated using the line by line method.

(1) Entities in perimeter variation 2023.

(*) Refers to the main Division.

LIST OF COMPANIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

No.	Company	Registered office	Curr.	Share capital	Business unit (*)	Investing companies	Direct controlling interest	Subsidiaries' controlling interest	Minority interest
1	Joint venture "Ariston Thermo - UTG LLC" (**)	Uzbekistan	EUR	1,000,000	TC	Ariston Holding N.V.	51.00		49.00
2	Haas Heating B.V.	Netherlands	EUR	100	TC	Atag Heating B.V.	24.50		75.50
3	Thermal Earth Ltd	UK	GBP	81	TC	Ariston U.K. Ltd.	30.00		70.00

(**) The company was not included in the scope of consolidation because of its limited area of operation and significance.

7. Ariston Holding N.V. Company - only Financial Statements at 31 December 2023

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7. Ariston Holding N.V. – Company - only Financial Statements at 31 December 2023

Ariston Holding N.V. Income Statement as at 31 December 2023

(in € thousand)	notes	2023	2022
NET TURNOVER	1.1	8,804	8.817
Other operating income	1.1	22	1,588
Total operating income	1.1	8,826	10,405
Costs of raw materials and consumables		19	28
Costs of work contracted out and other external costs	1.2	18,589	16,381
Wages and salaries	1.3	7,373	7,215
Social security charges	1.4	1,795	1,675
Amortisation of intangible fixed assets and depreciation of tangible fixed assets		516	582
Other operating expenses	1.5	2,225	2,147
Total operating expenses		30,517	28,028
Income from fixed asset investments	1.6	1,189	906
Other interest income and similar income	1.7	14,779	13,425
Interest expense and similar expenses	1.8	53,022	28,902
RESULTS BEFORE TAX		-58,745	-32,194
Taxes (expenses)/benefit	1.9	13,004	6,129
Share in profit/(loss) of participation	1.10	236,922	166,324
NET RESULT AFTER TAX		191,181	140,259

The accompanying notes are an integral part of the Company Financial Statements.

Ariston Holding N.V. Statement of Financial position as at 31 December 2023

(before appropriation of results)

(in € thousand)	notes	2023	2022 (*)
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Goodwill	2.1	502	502
Prepayments on intangible fixed assets	2.1	5	5
Other intangible assets	2.1	64	95
Total intangible fixed assets	2.1	571	602
Tangible fixed assets			
Land and buildings	2.2	1,564	1,586
Other fixed operating assets	2.2	245	485
Total tangible fixed assets	2.2	1,809	2,071
Financial fixed assets			
Interests in group companies	2.3	2,242,109	1,048,953
Other participations	2.3	3,551	5,089
Accounts receivable from participations and other participating interests	2.3	32,502	40,722
Other investments	2.3	42	41
Other accounts receivable	2.3	5	14
Total financial fixed assets	2.3	2,278,209	1,094,819
CURRENT ASSETS			
Accounts receivable			
Trade debtors	2.4	27	97
Shareholders and participating interests	2.4	215,285	136,667
Other accounts receivable	2.4	43,058	44,421
Prepayments and accrued income	2.4	3,206	2,017
Total accounts receivable	2.4	261,576	183,202
Cash	2.5	166,967	678,964
TOTAL ASSETS		2,709,132	1,959,658

Ariston Holding N.V. Statement of Financial position as at 31 December 2023

(before appropriation of results)

(in € thousand)	notes	2023	2022 (*)
LIABILITIES AND EQUITY			
EQUITY			
Called-up share capital	3.1	46,476	46,062
Share premium	3.1	711,312	313,344
Revaluation reserve	3.1	8,202	8,202
Legal and statutory reserves	3.1		
Legal reserves	3.1	30,790	25,318
Reserves required under the articles of association	3.1	25,250	15,250
Other reserves	3.1	181,652	231,639
Retained earnings	3.1	307,758	229,881
Profit/loss for the period	3.1	191,181	140,259
Total equity	3.1	1,502,621	1,009,955
PROVISIONS			
Pensions	3.2	165	239
Taxes	3.2	21,140	22,375
Other	3.2	13,598	10,328
Total provisions	3.2	34,903	32,942
LONG-TERM DEBT			
Debts to lending institutions	3.3	692,427	669,105
Other liabilities	3.3	1,908	1,958
Total long-term debt	3.3	694,335	671,063
CURRENT LIABILITIES			
Trade creditors	3.4	4,446	4,994
Amounts due to shareholders and participating interests	3.5	430,141	221,527
Taxes and social security contributions	3.6	1,456	1,601
Other liabilities	3.7	41,209	17,551
Accruals and deferred income		21	25
Total current liabilities		477,273	245,698
TOTAL LIABILITIES AND EQUITY		2,709,132	1,959,658

(*) 2022 restated with reference to change in accounting policy illustrated in section *Accounting policies*.
The accompanying notes are an integral part of the Company Financial Statements.

Ariston Holding N.V. Notes to the Company Financial Statements

7.1 Corporate information

Ariston Holding N.V. (hereafter also the "Company") is a Company listed on Euronext Milan, Italy, having its statutory seat in the Netherlands and enrolled in the Chamber of Commerce - KVK - of Amsterdam (CCI no. 83078738, RSIN no. 862717589, Establishment no. 000049275437, VAT Code: 01527100422, Fiscal Code 00760810572), with a secondary office in Via Broletto 44, Milan I-20121.
For purposes of its business operations in Italy, the Company has established a secondary seat with a permanent representative office, within the meaning of article 2508 of the Italian Civil Code.
At 31 December 2023, the share capital of the Company was represented by 125,505,005 ordinary shares and 22,095,194 non-listed ordinary shares of € 0.01 each, and by 225,000,000 multiple vote shares of € 0.20 each.
At the same date the issued share capital of the Company was held by Merloni Holding S.p.A. for 58.38%, Amaranta S.r.l. for 7.96%, the market for 21.95%, Centrotec SE for 11.12% and Ariston Holding N.V. (Treasury Shares) for 0.60%. Due to the presence of multiple vote shares, and not including Treasury Shares, Merloni Holding S.p.A was entitled for 73.64% of voting rights, Amaranta S.r.l. for 18.60%, and the market for the residual 7.76%.

The company financial statements comprise the following: income statement, statement of financial position and these notes to the financial statements.

7.2 Principal activities

Ariston Holding N.V.'s primary purpose is to be a holding company and, with it, the management and coordination of a series of business processes for all the subsidiaries of the Group. The Group, with its subsidiaries, is active in the thermal comfort business and related businesses, operating worldwide across a variety of kind of products, systems and platforms, with a cutting edge technology.

The activities of the Group can be broken down into three main sectors:

- Thermal comfort, which can be classified into water heating products, space heating products, domestic heat-recovery ventilation, air handling and combined heat and power;
- Burners;
- Components.

For a detail of Group revenues by business line and geographical area, refer to section *Disclosure to the Financial Statements* included elsewhere in this Annual Report.

In January 2023 Ariston Holding N.V. completed the acquisition of 100% of the share capital of CENTROTEC Climate Systems GmbH (now Ariston Climate Systems GmbH) for € 625,838 thousand in cash, plus 41,416,667 Ariston Holding N.V. shares. The transaction, announced in September 2022, was the biggest deal in the Group's history and contributed to the increase in Ariston Group's ESG focus, reinforcing its portfolio of brands and its mid- to high-end offer of climate solutions, and further consolidating its positioning in Europe, with Germany becoming the first market.
For a futher detail of business events occurred in the year, refer to section *Significant business events of the year* included elsewhere in this Annual Report.

7.3 Accounting policies

Basis of preparation

The 2023 Company Financial Statements represent the separate financial statements of Ariston Holding N.V. and have been prepared in accordance with the legal requirements of Title 9, Book 2 of the Netherlands Civil Code (NCC). In particular, according to Section 2:362 (8) NCC, it is allowed to prepare the consolidated financial statements in accordance with the standards adopted by International Accounting Standards Board and approved by the European Commission and to use in the separate financial statements the same policies for recognition and measurement as those used in the consolidated accounts.

The accounting policies are described in a specific section, *Basis of accounting preparation*, of the Consolidated Financial Statements included in this Annual Report, while the application of Combination 3 enables keeping the equity according to the company financial statements equal to the equity according to the consolidated financial statements, since the subsidiaries are accounted for using the equity method in the company financial statements of Ariston Holding N.V.

Change in accounting policies

As permitted by article 2:362-8 NCC, Ariston Holding N.V. company-only financial statements are presented adopting Combination 3 as per Part 9, Book 2 NCC with application of the option to apply the recognition and measurement principles which the entity used in preparing the consolidated financial statements while applying presentation and disclosure requirements according to DAS (Dutch accounting standards). In particular, participating interests (consolidated subsidiaries) have been presented in the company-only financial statements in accordance with the net asset value method (DAS 100.114), recognising goodwill separately on the face of the balance sheet under intangible assets. After the acquisition of CENTROTEC Climate System GmbH in 2023, management made an assessment to verify whether the application of the above method was still the best solution. Considering the amount of goodwill generated from the acquisition, Ariston Holding N.V. assessed to adopt, starting from 2023, the equity method allowed by Combination 3, recognising goodwill within the carrying amount of the participating interest, in line with accounting treatment provided by DAS 140. Ariston Holding N.V. management believes that such a change provides more comparable information, leading to a better presentation of investments.

In accordance with DAS 140.214 the financial impact of the change in the accounting policies is a reclassification within fixed assets for an amount of € 51,788 thousand with no direct impact on the company's financial position (net equity) and/or income statement. In the Statement of Financial Position the balances for 2022 have been restated accordingly.

Format of the financial statements

Given the activities carried out by Ariston Holding N.V., the presentation of the Company Income Statement is based on the nature of revenues and expenses.
Ariston Holding N.V. financial statements are prepared in Euro, which is also the Company's functional currency, representing the currency in which the main transactions of the Company are denominated.
The Statements of Income and of Financial Position and Notes to the Financial Statements are presented in thousands of euro, except where otherwise stated.
As parent company, Ariston Holding N.V. has also prepared consolidated financial statements for the Ariston Group for the year ended on 31 December 2023.

7.4 2023 Financial Year Overview

Regarding the Ariston Group overview for the year ended on 31 December 2023, refer to section *Full year 2023 conclusion and outlook* included elsewhere in this Annual Report.

7.5 Composition and principal changes

Note 1.1 – Operating income

The following table summarises the operating income:

Operating income *(in € thousand)*	31.12.2023	31.12.2022
Net turnover:		
- Revenues from services	8,804	8,817
Total Net turnover	8,804	8,817
Other income	22	1,588
Total Operating Income	8,826	10,405

Revenues from services, consisting of services rendered to the principal subsidiaries of the Ariston Group, are substantially in line with the amount for 2022.

Note 1.2 – Costs of work contracted out and other external costs

Costs of work contracted out and other external costs during the year ended 31 December 2023 were € 18,589 thousand (€ 16,381 thousand at 31 December 2022), consisting of consulting costs, costs for legal and financial services, in addition to Directors' fees, and included components from share-based compensation plans, and Statutory Auditors' fees.
The increase from 2022 was mainly due to Directors' fees and assurance costs.

Note 1.3 – Wages and salaries

Wages and salaries costs during the year ended 31 December 2023 was of € 7,373 thousand (€ 7,215 thousand at 31 December 2022), including components from share-based compensation plans. The average number of employees in 2023 was 61 (59 at 31 December 2022), based in Italy (all wholly outside the Netherlands).

	31.12.2023	Average 2023	31.12.2022	Average 2022
Executives	16	17	15	14
Managers	17	15	12	13
White collars	30	28	30	29
Blue collars	1	1	3	3
Total	64	61	60	59

Note 1.4 – Social security charges

Social security charges during the year ended 31 December 2023 were € 1,795 thousand (€ 1,675 thousand at 31 December 2022).

Note 1.5 – Other operating expenses

Other operating expenses include provisions for employee severance indemnity and legal disputes, other personnel costs, not deductible VAT and non-periodic losses.

Note 1.6 – Income from fixed asset investments

Income from fixed asset investment relates to financial income from subsidiaries. At 31 December 2023, income from fixed asset investments was € 1,189 thousand (€ 906 thousand at 31 December 2022), with an increase of € 283 thousand.

Income from fixed asset investments *(in € thousand)*	31.12.2023	31.12.2022
Long-term interest income from subsidiaries	1,189	906
Total	1,189	906

Note 1.7 – Other interest income and similar income

The following table summarises Other interest income and similar income:

Other interest income and similar income *(in € thousand)*	31.12.2023	31.12.2022
Exchange rate gains	8,201	11,231
Interest income from bank	2,066	1,065
Short-term interest income from subsidiaries	1,823	554
Interest income from cash pooling	1,707	311
Other income	982	264
Total	14,779	13,425

At 31 December 2023, exchange rate gains were € 8,201 thousand (€ 11,231 thousand at 31 December 2022).
Exchange rate gains include both the monetary changes on the accounting entries that were realised at the end of the reporting period ("Realised exchange rate gains") and the monetary changes that were not yet realised because they referred to transactions that were not closed at the end of the reporting period ("Unrealised exchange rate gains"). The result for the period relating to realised and unrealised exchange differences was mostly affected by the US dollar and Chinese renminbi. Exchange rate gains include € 7,464 thousand of gains on foreign currency Forward contracts from transactions entered into to hedge foreign currency fluctuations.

Interest income from bank was € 2,066 thousand at 31 December 2023 (€ 1,065 thousand at 31 December 2022), with an increase of € 1,001 thousand resulting from an increase in short-term liquidity investments. Other financial income includes gains and losses on derivatives on commodities for Group purposes.

Note 1.8 – Interest expense and similar expenses

The following table summarises Interest expense and similar expenses:

Interest expense and similar expenses *(in € thousand)*	31.12.2023	31.12.2022
Interest and other expenses due to bank	26,166	7,200
Exchange rate losses	16,628	20,792
Interest due to subsidiaries	10,128	841
Other financial expense	100	69
Total	53,022	28,902

At 31 December 2023, exchange rate losses were € 16,628 thousand (€ 20,792 thousand at 31 December 2022).
Exchange rate losses include both the monetary changes on the accounting entries that were realised at the end of the reporting period ("Realised exchange rate losses") and the monetary changes that were not yet realised because they referred to transactions that were not closed at the end of the reporting period ("Unrealised exchange rate losses"). The result for the period relating to realised and unrealised exchange rate losses was mostly affected by the Swiss franc and Chinese renminbi. Exchange rate losses include € 15,000 thousand of loss on foreign currency Forward contracts from transactions entered into to hedge foreign currency fluctuations.

Interest and other expenses due to bank include gains and losses on derivatives on interest rates for Group purposes, the increase of € 18,966 thousand from 31 December 2022 was mainly due to interest due to bank reflecting the impact of interest rate hikes for 2023.

Interest due to subsidiaries of € 10,128 thousand include both interest related to loans received from NTI Boilers Inc., Calentadores de America S.A. de C.V., Ariston Pte Ltd and Tasfiye Halinde Ariston Thermo Isıtma ve Soğutma Sistemleri İthalat ve İhracat ve Dağıtım Ltd.Şti., and cash pooling interests.

Note 1.9 – Taxes (expenses)/benefit

The following table summarises Taxes (expenses):

Taxes (expenses)/benefit *(in € thousand)*	31.12.2023	31.12.2022
Fiscal benefit from consolidated taxation	15,762	8,000
Corporation tax expense	-1,207	-626
Tax (expense)/benefit current year	**14,555**	**7,374**
Tax (expense)/benefit previous years	2,428	1,373
Total tax (expense)/benefit	**16,983**	**8,747**
Deferred tax (expense)/benefit	-3,979	-2,618
Total	13,004	6,129

In 2023 income taxes were a benefit of € 16,983 thousand (a benefit of € 8,747 thousand at 31 December 2022), and refer for € 15,762 thousand to income within the Ariston Group consolidation scheme in Italy, partially offset by withholdings on dividends from subsidiaries, and for € 2,428 thousand to previous years' income tax expenses.

Deferred taxes were an expense of € 3,979 thousand (an expense of € 2,618 thousand at 31 December 2022), with an increase of € 1,361 thousand mainly due to the increase in deferred tax on undistributed earnings.

Ariston Holding N.V. is incorporated in the Netherlands but is a tax resident of Italy. The reconciliation of the differences between the theoretical income taxes and the total income taxes is presented based on the Italian local corporation income tax rate in force in 2023 of 24%. A reconciliation of Ariston Holding N.V. income tax expense for the year ended as at 31 December 2023 is as follows:

(in € thousand)	31.12.2023	%
Taxes at nominal Tax Rate	14,099	24.0%
DTA write down	-848	-1.4%
Withholding taxes on dividends	-910	-1.5%
Permanent differences	-443	-0.8%
Italian ACE	1,774	3.0%
Prior year taxes	2,428	4.1%
Deferred taxes on und. earnings	-2,798	-4.8%
Other	-298	-0.5%
Effective Taxes Charge	13,004	22.1%

For comparative purposes, here below is shown a reconciliation of Ariston Holding N.V. income tax expense for the year ended as at 31 December 2022:

(in € thousand)	31.12.2022	%
Taxes at nominal Tax Rate	7,727	24.0%
DTA write down	-1,557	-4.8%
Withholding taxes on dividends	-546	-1.7%
Permanent differences	-603	-1.9%
Italian ACE	1,200	3.7%
Prior year taxes	1,373	4.3%
Deferred taxes on und. earnings	-1,385	-4.3%
Other	-80	-0.2%
Effective Taxes Charge	6,129	19.1%

Note 1.10 – Share in profit/(loss) of participations

The following table summarises the Share in profit of participations:

Share in profit/(loss) of participations *(in € thousand)*	31.12.2023	31.12.2022
Financial value of interests in group companies	238,463	166,770
Financial value of other participations	-1,541	-446
Total	236,922	166,324

The Share in profit of participations relates to the valuation of the Company's share in the total equity of subsidiaries and associates. In particular, the financial value of interests in group companies is given for € 241,588 thousand by the share in profit of participations and for € 3,125 thousand by negative changes in values of the provision for interest in participating companies.

Note 2.1 – Intangible fixed assets

At 31 December 2023 the carrying amount of intangible fixed assets was € 571 thousand (€ 602 thousand at 31 December 2022) and related primarily to goodwill (€ 502 thousand).

As explained in the previous section *Change in accounting policies,* the value of goodwill in 2022, which was previously recognised separately under intangible fixed assets, has been restated due to the adoption, starting from 2023, of the equity method allowed by Combination 3, recognising goodwill within the carrying amount of the participating interest, in line with the accounting treatment provided by DAS 140. The financial impact of this change in accounting policies is a reclassification from intangible fixed assets to financial fixed assets for an amount of € 51,788 thousand.
The amount of € 502 thousand which continues to be classified in intangible fixed assets is due to the absence of a related participating interest, since it referred to the acquisition of a legal entity incorporated in 2009.

With reference to other intangible assets, the amortisation expense for the period (€ 31 thousand) is recognised under the appropriate item in the income statement.

Details of changes in intangible fixed assets are as follows:

Intangible Assets	Goodwill	Prepayments on intangible fixed assets	Other intangible assets			Total		
(in € thousand)	Net value	Gross	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2022	502	5	124	-29	95	631	-29	602
Increases	0	0	0	0	0	0	0	0
Decreases	0	0	0	0	0	0	0	0
Amortisation	0	0	0	-31	-31	0	-31	-31
Reclassification	0	0	0	0	0	0	0	0
Total changes	0	0	0	-31	-31	0	-31	-31
As at 31.12.2023	502	5	124	-60	64	631	-60	571

Note 2.2 – Tangible fixed assets

At 31 December 2023 the carrying amount of tangible fixed assets was € 1,809 thousand (€ 2,071 thousand at 31 December 2022), out of which € 1,659 thousand (€ 1,697 thousand at 31 December 2022) related to right-of-use assets, in accordance with IFRS16.

The gross value of tangible fixed assets was € 2,730 thousand (€ 3,144 thousand at 31 December 2022) and related to accumulated depreciation of € 921 thousand (€ 1,073 thousand at 31 December 2022).

Depreciation for the period (€ 485 thousand) is recognised under the appropriate item in the income statement.

Details of changes in tangible fixed assets are as follows:

Tangible Assets	Land and buildings			Other fixed operating assets			Total		
(in € thousand)	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2022	2,405	-819	1,586	739	-254	485	3,144	-1,073	2,071
Increases	327	0	327	125	0	125	452	0	452
Decreases	0	19	19	-310	62	-248	-310	81	-229
Amortisation	0	-368	-368	0	-117	-117	0	-485	-485
Reclassification	-402	402	0	-154	154	0	-556	556	0
Total changes	-75	53	-22	-339	99	-240	-414	152	-262
As at 31.12.2023	2,330	-766	1,564	400	-155	245	2,730	-921	1,809

Note 2.3 – Financial fixed assets

The following table summarises the composition of financial fixed assets:

Financial fixed assets *(in € thousand)*	31.12.2023	31.12.2022	Change
Interests in Group companies	2,242,109	1,048,953	1,193,156
Other participations	3,551	5,089	-1,538
Accounts receivable from participations and other participating interests	32,502	40,722	-8,220
Other investments	42	41	1
Other accounts receivable	5	14	-9
Total	2,278,209	1,094,819	1,183,390

Interests in Group companies were subject to the following changes during 2023 and 2022:

Interests in Group companies *(in € thousand)*	2023	2022	Change
Balance at beginning of year	1,048,953	952,095	96,858
Capital injection into subsidiaries	37,096	10	37,086
Purchase of participations	1,091,474	0	1,091,474
Capital reductions from subsidiaries	0	-51,000	51,000
Net contributions made to subsidiaries	490	290	200
Stock-based incentive plans	-924	-423	-501
Dividends received from subsidiaries	-151,419	-40,443	-110,976
Share in profit of participations	241,588	162,956	78,632
Cumulative translation adjustments and other OCI	-25,149	25,468	-50,617
Balance at end of year	2,242,109	1,048,953	1,193,156

As explained in the previous section *Change in accounting policies,* the 2022 value of Interests in Group companies has been restated due to the adoption, starting from 2023, of the equity method allowed by Combination 3, recognising goodwill, which was previously recognised separately under intangible fixed assets, within the carrying amount of the participating interest, in line with accounting treatment provided by DAS 140. The financial impact of this change in accounting policies is a reclassification from intangible fixed assets to financial fixed assets for an amount of € 51,788 thousand.

Goodwill arises from the acquisition of subsidiaries and reflects the excess of the acquisition cost over the percentage attributable to the Company of the fair value of the subsidiaries' identifiable assets, liabilities and potential liabilities at the acquisition date. Goodwill is recognised as an asset and undergoes an impairment test on an annual basis, or more frequently if there are events or changes in the circumstances that may result in impairment losses.
For this purpose, the goodwill, if any, resulting at the acquisition date is allocated to each of the cash generating units (CGU) which are expected to benefit from the synergy effects deriving from the acquisition. Any loss in value is identified

through valuations that are based on the capacity of each unit to produce financial flows capable of recovering the part of goodwill allocated to it, according to the methods described in the section *Impairment of assets* of the Consolidated Financial Statements included in this Annual Report.

The increase in Interests in Group companies in 2023 primarily related to the purchase of participations of € 1,091,474 thousand (CENTROTEC Climate Systems GmbH for € 1,024,474 thousand and Atag Heating B.V. for € 67,000 thousand), the share in profit of participations of € 241,588 thousand and the capital injection into subsidiaries of € 37,096 thousand, partially offset by dividends received from subsidiaries of € 151,419 thousand and cumulative translation adjustments and other OCI movements of € 25,149 thousand

With reference to CENTROTEC Climate Systems GmbH, the acquisition from CENTROTEC SE of 100% of the related share capital was finalized In January 2023 for € 625,838 thousand in cash, plus 41,416,667 Ariston Holding N.V. shares from a dedicated capital increase.

The increase in Interests in Group companies in 2022 primarily related to the share in profit of participations of € 162,956 thousand, cumulative translation adjustments and other OCI movements of € 25,468 thousand, partially offset by a share capital reimbursement for € 51,000 thousand from Ariston Benelux S.A./N.V. and dividends received from subsidiaries of € 40,443 thousand.

Accounts receivable from participations and other participating interests relates to long-term financial loans of € 32,502 thousand (€ 40,722 thousand at 31 December 2022), consisting of:

- a loan granted to Ariston Holding USA LLC of USD 13,800 thousand corresponding to € 12,489 thousand expiring in 2025;
- two loans granted to Ariston Egypt LLC for a total amount of € 7,180 thousand expiring in 2028;
- a loan granted to Chromagen Israel Ltd. of ILS 24,570 thousand corresponding to € 6,144 thousand expiring in 2027;
- a loan granted to Chromagen Australia Pty Ltd. of AUD 5,156 thousand corresponding to € 3,310 thousand expiring in 2028;
- a loan granted to Ariston South Africa (Pty) Ltd. of ZAR 30,000 thousand corresponding to € 1,474 thousand expiring in 2025;
- a loan granted to Ingrado S.r.l. of € 1,000 thousand expiring in 2025;
- a loan granted to PT Ariston Group Indonesia Ltd. of USD 1,000 thousand corresponding to € 905 thousand expiring in 2025.

The interest rates are defined in benchmarking the loans against comparable financial transactions between independent parties on the credit market and applying relevant criteria to enhance the comparability, such as tenor, currency of denomination, the geographies, the industry of the borrowing entity, and the credit rating.

Below the changes during the reporting period:

(in € thousand)	At 1 January 2023	Additions	Repayments	Translation differences	Reclass. from current assets	At 31 December 2023
Long-term Financial Loans	**40,722**	19,932	-21,529	-608	-6,015	**32,502**

Note 2.4 – Accounts receivable

At 31 December 2023 the accounts receivable was € 261,576 thousand (€ 183,202 thousand at 31 December 2022), with an increase of € 78,374 thousand mainly related to an increase in shareholders and participating interests for € 78,618 thousand, primarily related to an increase in credits for cash pooling of € 116,015 thousand, only partially offset by a decrease of other credits for € 49,739 thousand mainly due to the impact of the reimbursement of the share capital reduction of Ariston Benelux S.A./N.V. The carrying amount of accounts receivable is deemed to approximate their fair value.

The following table summarises the composition:

Accounts receivable *(in € thousand)*	31.12.2023	31.12.2022	Change
Trade debtors	27	97	-70
Shareholders and participating interests	215,285	136,667	78,618
Other accounts receivable	43,058	44,421	-1,363
Prepayments and accrued income	3,206	2,017	1,189
Total	261,576	183,202	78,374

Shareholders and participating interests include: trade receivables for € 19,146 thousand (€ 22,187 thousand at 31 December 2022); corporate tax receivables from Merloni Holding S.p.A. for the domestic tax consolidation scheme of € 15,841 thousand (€ 7,066 thousand at 31 December 2022), credit for dividends for € 1,334 thousand, other credits for € 5,009 thousand (€ 54,748 thousand at 31 December 2022) and financial receivables of € 173,955 thousand (€ 52,666 thousand at 31 December 2022) consisting of:

- loans granted to participating interests of € 35,426 thousand, consisting of:
    - a loan granted to Ariston France S.a.s. of € 14,500 thousand;
    - a loan granted to Atag Heating B.V. of € 10,800 thousand;
    - two loans granted to PT Ariston Group Indonesia Ltd. of USD 3,000 thousand and USD 2,000 thousand corresponding to € 2,715 thousand and € 1,810 thousand;
    - two loans granted to Ariston Thermo Tunisie SA of € 2,000 thousand and € 1,000 thousand;
    - a loan granted to Ariston U.K. Ltd. of GBP 2,000 thousand corresponding to € 2,301 thousand;
    - a loan granted to Ingrado S.r.l. of € 300 thousand;
- credits for cash pooling of € 136,326 thousand;
- credits for derivative financial instruments of € 2,203 thousand.

The interest rates are defined in benchmarking the loans against comparable financial transactions between independent parties on the credit market and applying relevant criteria to enhance the comparability, such as tenor, currency of denomination, the geographies, the industry of the borrowing entity, and the credit rating.

Other accounts receivable mainly relate to:

- deferred tax assets of € 2,470 thousand (€ 1,326 thousand at 31 December 2022);
- derivative financial instruments mark-to-market of € 17,033 thousand (€ 34,763 thousand at 31 December 2022), including hedges on commodities for € 157 thousand, interest rates for € 16,454 thousand, and foreign exchanges for € 422 thousand;
- VAT credit for the Group consolidation scheme of € 8,902 thousand.

Below are the changes in loans granted to participating interests in the reporting period:

(in € thousand)	At 1 January 2023	Additions	Repayments	Translation differences	Reclass. to not-current assets	At 31 December 2023
Shareholders and participating interests – Loans	31,020	4,140	-5,695	-54	6,015	35,426

Note 2.5 – Cash

At 31 December 2023, Cash was € 166,967 thousand (€ 678,964 thousand as at 31 December 2022), primarily represented by amounts held in euro. The carrying amount of Cash is deemed to be in line with its fair value.

The credit risk associated with Cash is considered limited as the counterparties are leading national and international banks.

Note 3.1 – Equity

Changes in Shareholders' equity during 2023 and 2022 were as follows:

(in € thousand)	Share Capital	Share Premium	Treasury Shares	Revaluation Reserve	Legal Reserves	Statutory Reserves	Legal Reserves: Other	Cum. Translation Adj	Stock-based incentive plans reserve	OCI and Other Reserves	Retained Earnings	Profit/Loss for the period	Total Equity
At 31 December 2021	46,043	293,731	0	8,202	28,263	250	626	-19,268	24,443	207,742	151,766	136,536	878,334
Allocation of prior year result											136,536	-136,536	0
Net profit for the year												140,259	140,259
Business combinations													0
Current period change in translation adjustments and OCI, net of taxes							23,892	5,355		14,408			43,655
Dividends											-46,366		-46,366
Legal reserve					-2,945						2,945		0
Share-based payments	19	19,613							-13,012				6,620
Acquisition of treasury shares			-12,547										-12,547
Conversion reserve multiple voting shares						15,000					-15,000		0
Other changes							-897			897			0
At 31 December 2022	46,062	313,344	-12,547	8,202	25,318	15,250	23,621	-13,913	11,431	223,047	229,881	140,259	1,009,955
Allocation of prior year result											140,259	-140,259	0
Net profit for the year												191,181	191,181
Business combinations	414	397,968											398,382
Current period change in translation adjustments and OCI, net of taxes							-24,370	24,388		-45,300			-45,282
Dividends											-48,343		-48,343
Legal reserve					5,472						-5,472		0
Share-based payments			6,379						-2,403		1,433		5,409
Acquisition of treasury shares			-8,681										-8,681
Conversion reserve multiple voting shares						10,000					-10,000		0
Other changes							749			-749			0
At 31 December 2023	46,476	711,312	-14,849	8,202	30,790	25,250	0	10,475	9,028	176,998	307,758	191,181	1,502,621

Shareholders' equity increased by € 492,666 thousand in 2023, primarily due to the share premium reserve increase of € 397,968 thousand and profit for the year of € 191,181 thousand, net of dividends paid to Shareholders for € 48,343 thousand.

Shareholders' equity increased by € 131,621 thousand in 2022, primarily due to profit for the year of € 140,259 thousand and the cash flow hedge reserve increase of € 23,892 thousand, net of dividends paid to Shareholders for € 46,366 thousand and acquisition of treasury shares of € 12,547 thousand.

Share capital

At 31 December 2023 the share capital of Ariston Holding N.V. was € 46,476 thousand, fully paid-up, and represented by 125,505,005 ordinary shares and 22,095,194 non-listed ordinary shares with a nominal value of € 0.01 each, and 225,000,000 multiple voting shares with a nominal value of € 0.20 each.

On 2 January 2023 the share capital was increased by € 414 thousand, in relation to Share-based payment transaction used as a partial payment method to finalise the total acquisition price of CENTROTEC Climate Systems GmbH.

Share premium reserve

On 2 January 2023 the share premium reserve was increased by € 397,968 thousand, in relation to a Share-based payment transaction used as a partial payment method to finalise the total acquisition price of CENTROTEC Climate Systems GmbH, as already indicated above.

Treasury shares reserve

In May 2023 Ariston Holding N.V. transferred 762,654 treasury shares to the beneficiaries of the 2020 vested restricted share units long-term incentive plan for an amount equal to € 6,379 thousand.
In September 2023 Ariston Holding N.V. started a treasury share buyback program to serve the Group's LTI plans, with a number of shares to be acquired equal to 1,500,000. The program ended on 27 October 2023 and the total amount of treasury shares at 31 December 2023 was equal to € 14,849 thousand.

Legal reserves

Pursuant to Dutch law, limitations exist relating to the distribution of shareholders' equity up to at least the total amount of the legal reserve.
At 31 December 2023, legal reserves amounted to € 30,790 thousand (€ 25,318 thousand at 31 December 2022), related to capitalised development expenditures recognised by subsidiaries.

Statutory reserves

At 31 December 2023, statutory reserves amounted to € 25,250 thousand (€ 15,250 thousand at 31 December 2022), with an increase of € 10,000 thousand due to the amount allocated and added in the year to the Conversion Reserve (reference is made to article 31 of the Company's articles of association), the Company having established a policy on reservations for the benefit of the Conversion Reserve.

Stock-based incentive plans reserve

Ariston Group adopted stock-based incentive plans under which a combination of restricted share units and, from 2021 plans, performance share units ("PSUs"), each representing the right to receive one Ariston Holding N.V. ordinary share, have been awarded to the Executive Directors and a selected number of managers. In 2023 the related Stock-based incentive plans reserve increased by € 5,414 thousand for the competence of the year and decreased by € 7,817 thousand following the assignment of shares executed for LTI plan 2020.

At 31 December 2023, the Stock-based incentive plans reserve amounted to € 9,028 thousand (€ 11,431 thousand at 31 December 2022), and referred to the following plans:

- 2021: € 6,009 thousand;
- 2022: € 1,967 thousand;
- 2023: € 1,052 thousand.

Settlement of the conversion of performance share units (plan 2021) will take place in the first half of 2024.

Note 3.2 – Provisions

At 31 December 2023, provisions were € 34,903 thousand (€ 32,942 thousand at 31 December 2022).
The following table summarises the composition:

Provisions *(in € thousand)*	31.12.2023	31.12.2022	Change
Provision for employee severance indemnity	165	239	-74
Deferred tax liabilities	21,140	22,375	-1,235
Provision for interest in participating companies	13,007	9,853	3,154
Provision for risk	591	475	116
Total	34,903	32,942	1,961

Provision for interest in participating companies of € 13,007 thousand is related to participations in Ariston France S.a.s. (€ 10,167 thousand), Ariston Maroc SA (€ 2,304 thousand), Ariston Heating Technology Nigeria Ltd. (€ 332 thousand), Ariston Thermo Argentina S.r.l. (€ 106 thousand), and Instachauf S.a.s. (€ 98 thousand).

The following table shows the changes which occurred during the year:

Provisions *(in €thousand)*	Provision for employee severance indemnity	Deferred tax liabilities	Provision for interest in participating companies	Provision for risk	Total
As at 31.12.2022	239	22,375	9,853	475	32,942
Increases	462	5,271	7,987	123	13,843
Decreases	-514	-962	-4,862	-7	-6,345
Other	-22	-5,544	29	0	-5,537
Total changes	-74	-1,235	3,154	116	1,961
As at 31.12.2023	165	21,140	13,007	591	34,903

Refer to the consolidated financial statements for related terms and conditions.

Note 3.3 – Long-term debt

At 31 December 2023, long-term debt was € 694,335 thousand (€ 671,063 thousand at 31 December 2022), primarily composed of debts to lending institutions for € 692,427 thousand (€ 669,105 thousand at 31 December 2022).

Compared to 31 December 2022, the increase in total debt for loans was essentially attributable to new financing taken out in 2023 with a maturity of debt of 5.6.

Below the details:

(in € thousand)	Long-term debt	In 1-5 years	Over 5 years
Debts to lending institutions	692,427	338,991	353,436
Total	692,427	338,991	353,436

Other non-current liabilities of € 1,908 thousand (€ 1,958 thousand at 31 December 2022) are mainly related to a long-term financial lease to a shareholder and participating interest.

Below the changes during the reporting period:

(in € thousand)	At 1 January 2023	Additions	Repayments	Other movements	At 31 December 2023
Debts to lending institutions	669,105	295,000	-270,000	-1,678	692,427
Other liabilities	1,958	557	-612	5	1,908
Total	671,063	295,557	-270,612	-1,673	694,335

Note 3.4 – Trade creditors

At 31 December 2023, trade creditors were € 4,446 thousand (€ 4,994 thousand at 31 December 2022).

Trade creditors are due within one year and their carrying amount at the reporting date is deemed to approximate their fair value.

Note 3.5 – Amounts due to shareholders and participating interests

Amounts due to shareholders and participating interests of € 430,141 thousand (€ 221,527 thousand at 31 December 2022) are summarised in the table below:

Amounts due to shareholders and participating interests *(in € thousand)*	31.12.2023	31.12.2022	Change
Cash pooling liabilities:			
-Wolf GmbH	159,941	0	159,941
-Ariston S.p.A.	59,642	77,285	(17,643)
-Elco International GmbH	42,353	39,093	3,260
-ELCO GmbH	27,530	24,768	2,762
-Thermowatt S.p.A.	22,440	3,834	18,606
-Ariston Benelux S.A./N.V.	22,223	0	22,223
-Elco Italia S.p.A.	10,513	10,893	(380)
-ELCO Austria GmbH	9,461	9,052	409
-Ariston Deutschland GmbH	6,477	7,006	(529)
-Cuenod sas	5,978	7,162	(1,184)
-Ecoflam Bruciatori S.p.A.	5,616	0	5,616
-Ariston Iberica S.L.	5,212	5,358	(146)
-Elco B.V.	2,212	6,971	(4,759)
-Wolf France S.a.s.	2,038	0	2,038
-AR1 S.r.l.	1,425	0	1,425
-Elco Burners B.V.	762	5,329	(4,567)
-Wolf Energiesystemen B.V.	396	0	396
-Wolf Iberica Climatization Y Calefacion SA	359	0	359
-ELCO Belgium S.A./N.V.	0	17	(17)
Cash pooling liabilities	384,578	196,768	187,810
Current derivative financial Instruments	4,092	8,867	(4,775)
Current financial loans:			
-NTI Boilers Inc	8,878	9,028	(150)
-Calentadores de America S.A. de C.V.	8,065	0	8,065
-Tasfiye Halinde Ariston Thermo Isıtma ve Soğutma Sistemleri İthalat ve İhracat ve Dağıtım Ltd.Şti.	1,700	0	1,700
-Ariston Pte Ltd	0	3,766	(3,766)
Current financial loans	18,643	12,794	5,849
Creditors	5,747	1,981	3,766
Other debits:			
Consolidated VAT	1,045	732	313
Other	16,036	385	15,651
Other debits	17,081	1,117	15,964
Total	430,141	221,527	208,614

At 31 December 2023, Cash pooling liabilities consisted of € 384,578 thousand of overdraft as part of the Ariston Group's centralised treasury management, with an increase of € 187,810 thousand from 31 December 2022.
Current financial loans were composed of the loan granted by NTI Boilers Inc. of CAD 13,000 thousand corresponding to € 8,878 thousand, a loan granted by Calentadores de America S.A. de C.V.of MXN 151,000 thousand corresponding to € 8,065 thousand, and a loan granted by Tasfiye Halinde Ariston Thermo Isıtma ve Soğutma Sistemleri İthalat ve İhracat ve Dağıtım Ltd.Şti. of € 1,700 thousand.

The interest rates are defined in benchmarking the loans against comparable financial transactions between independent parties on the credit market and applying relevant criteria to enhance the comparability, such as tenor, currency of denomination, the geographies, the industry of the borrowing entity, and the credit rating.

Current derivative financial instruments of € 4,092 thousand were related to the recharge of commodities and interest rate hedging instruments.

Note 3.6 – Taxes and social security contributions

Taxes and social security contributions of € 1,456 thousand were related to short-term social security payables for € 890 thousand and short-term other tax debts for € 566 thousand.

Note 3.7 – Other liabilities

The following table summarises Other liabilities:

Other liabilities *(in € thousand)*	31.12.2023	31.12.2022	Change
Derivative financial instruments	23,950	10,461	13,489
Other financial debts	14,277	3,428	10,849
Other debts	1,666	1,328	338
Group VAT	0	425	-425
Current debts with employees	1,316	1,909	-593
Total	41,209	17,551	23,658

Current derivative financial Instruments of € 23,950 thousand were related for € 19,044 thousand to derivative financial instruments with negative fair value at 31 December 2023. It related for € 17,037 thousand to hedging contracts and for € 2,007 thousand to non-hedging contracts (signed by Ariston Holding N.V. as parent company in the interest of the subsidiaries, with subsequent recharge of the results of these hedges to the participating companies). The remaining amount of derivative financial instruments of € 4,906 thousand referred to financial derivatives closed but not yet paid.

For accounting treatment of derivatives financial instruments, refer to section *Derivatives* included elsewhere in this Annual Report.

Other liabilities are all due within one year and their carrying amount is deemed to approximate the related fair value.

Commitments and risks

The Company reported the following potential liabilities as at the end of the reporting period:

Guarantees issued

At 31 December 2023, guarantees issued were € 116,472 thousand (€ 409,288 thousand at 31 December 2022), wholly provided on behalf of Group companies, related:

- for € 102,909 to parent guarantees issued for credit lines and term loans granted by lending institutions;
- for € 2,000 thousand to other parent guarantees;
- for € 11,563 thousand to other guarantees.

The main guarantees outstanding at 31 December 2023, were as follows:

Group companies *(in € thousand)*	2023	2022	Change
Ariston S.p.A.	77,000	378,750	-301,750
Ariston Climate Solutions D.o.o. Svilajnac	8,000	0	8,000
Ariston Thermo Romania S.r.l.	6,532	8,000	-1,468
Ariston Group India Private Limited	4,352	3,402	950
Ariston Vietnam CO. Ltd.	4,000	0	4,000
Wolf HVAC Systems (Shanghai) Co. Ltd.	3,550	0	3,550
Ariston Ukraine LLC	2,500	2,500	0
Ariston U.K. Ltd.	2,244	676	1,568
Ariston Polska Sp. zo.o.	2,000	0	2,000
Ariston CZ S.r.o.	1,500	0	1,500
Ariston Hungária Kft.	1,500	0	1,500
S.H.E. d.o.o. Svilajnac	1,450	1,152	298
Atmor Industries Ltd.	518	563	-45
BCE S.r.l.	500	496	4
Wolf Technika Grzewcza Sp.zo.o.	398	0	398
Ariston Pte Ltd	311	0	311
Elco Italia S.p.A.	117	118	-1
Ariston Hungária Kft	0	1,500	-1,500
Ariston Pte Ltd.	0	318	-318
Ariston Sales Mexico S.A. de C.V.	0	1,875	-1,875
Ariston Thermo MEA WLL	0	982	-982
Ariston Thermo Tunisie SA	0	1,000	-1,000
Calentadores de America S.A. de C.V.	0	4,688	-4,688
Elco Heating Solutions Ltd.	0	1,466	-1,466
PT Ariston Group Indonesia Ltd.	0	328	-328
Racold Thermo Private Ltd.	0	1,474	-1,474
Total	116,472	409,288	-292,816

The decrease of € 292,816 thousand as compared to 31 December 2022 was mainly due to the guarantees on behalf of Ariston S.p.A. which saw a decrease of € 301,750 thousand, mainly related to a decrease in parent guarantees issued for credit lines and term loans granted by lending institutions.

Refer to the consolidated financial statements for related terms and conditions.

Commitments

The commitments outstanding at 31 December 2023, equal to € 90 thousand, referred to the equivalent value of the payments (USD 100 thousand) of additional shares in an ''Investment company in risk capital (SICAR) provision'' specialized in interventions in sectors in which the Group operates, to be carried out when they are called up by the fund managers for the commitment established.

At 31 December 2023, there were no other commitments to be mentioned.

Audit fees

The fees for services provided by the Company's independent auditors, Ernst & Young Accountants LLP, and its member firms and/or affiliates, to the Company are broken down as follows:

Audit fees *(in € thousand)*	31.12.2023	31.12.2022	Change
Audit fees	456	286	170
Other non-audit services	0	4	-4
Total	456	290	166

The fees for audit services provided in 2023 by Ernst & Young Accountants LLP, and its member firms and/or affiliates, are equal to € 456 thousand (€ 286 thousand in 2022).

Board remuneration

Detailed information on Board compensation is included in the *Remuneration Report* section of this report.

Proposal for the appropriation of profits

The appropriation of profits will be determined in accordance with article 32 of the Articles of Association of Ariston Holding N.V.
The total amount of the dividend distributed and, consequently, the residual amount of the profits carried forward, will vary according to the number of shares entitled, and these amounts will be defined when the dividend is actually paid on the basis of the shares outstanding at the coupon detachment date.

In view of the above, it is proposed to:

- approve the financial statements for the year ending 31 December 2023;
- to allocate the profits realised during the financial year of € 191.181.018 as follows:

    i. to appropriate the amount of € 123,557 thousand (calculated on the basis of the proposal of dividend ratio below) to increase the Retained Earnings reserve and other reserves;
    ii. to appropriate the amount of € 4,662 thousand to accrue the Reserve Italian Law 29 December 2022 no.197, article 1 clauses 87-95;
    iii. to distribute the remaining part of € 62,962 thousand (for information purposes, based on the 370,362,853 shares entitled) as dividend to be paid in the ratio of € 0.17 per share for the year 2023, gross of withholding taxes, that represents a pay-out ratio equal to 33%;

- to pay the above dividend on 22 May 2024 (with an ex-coupon date of 20 May 2024 in accordance with the Italian Stock Exchange calendar, and a record date of 21 May 2024).

The Board resolved to convene the annual general meeting to be held on 6 May 2024.

Subsequent events

Regarding subsequent events evaluated by the Group, refer to section *Subsequent events* included elsewhere in this Annual Report.

5 March 2024

The Board
Paolo Merloni
Maurizio Brusadelli
Antonia Di Bella
Roberto Guidetti
Laurent Jacquemin
Guido Krass
Francesco Merloni
Maria Francesca Merloni
Lorenzo Pozza
Ignazio Rocco di Torrepadula
Marinella Soldi
Enrico Vita

Other information

Additional information on Dutch corporate governance

Independent Auditor’s Report

The report of the Company’s independent auditor, Ernst & Young Accountants LLP, the Netherlands, is set forth following this Annual Report.

Profits appropriation

Dividends will be determined in accordance with article 32 of the articles of association of the Company. The relevant provisions of the Articles of Association read as follows:

Appropriation of profits
Article 32

32.1. The Board may decide that the profits realised during a financial year are fully or partially appropriated to increase or form reserves.

32.2. The profits of the Company remaining after application of Article 32.1 shall be put at the disposal of the General Meeting. The Board shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting.

32.3. The Shareholders will share in the (profit) distribution in proportion to the aggregate number of the Shares (either Ordinary Shares, Non-Listed Ordinary Shares and/or Multiple Voting Shares) held by each of them.

32.4. The Company's policy on reserves and dividends shall be determined and can be amended by the Board.

32.5. The Company may distribute profits to Shareholders and other persons eligible to receive any share of the distributable profits only insofar as the Company's shareholders' equity, reduced by the amount of the distribution, will not be smaller than the paid-up and claimed part of the Company's shareholders’ capital, increased by the reserves which must be maintained under these Articles and by Dutch law.

32.6. Profits will be distributed after confirmation of the Annual Accounts, evidencing this to be permissible.

32.7. The Company may only make interim (profit) distributions to the extent that the provisions as set out in Article 32.5 have been complied with as evidenced by an interim specification of assets and liabilities. Such interim specification of assets and liabilities will relate to the position of the equity of the Company at the earliest as at the first day of the third month prior to the month in which the resolution providing for payment is announced. It will be drawn up with due observance of valuation methods deemed acceptable under generally accepted standards. The specification of assets and liabilities will include the amounts to be allocated to the reserves in accordance with Dutch law or these Articles. It shall be signed by the Directors; if the signature of one or several of them is missing, the reason thereof shall be stated. The Company shall file the specification of assets and liabilities with the office of the Dutch trade register within eight days after the resolution to make payment available is announced.

32.8. With due observance of the provisions of Article 32.5, the General Meeting, on a proposal of the Board, may adopt resolutions for distributions to the charge of the Company's reserves that do not need to be kept pursuant to these Articles or Dutch law.

Disclosures pursuant to decree article 10 EU-Directive on takeovers

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

a) At 31 December 2023, the issued share capital of the Company consisted of 125,505,005 ordinary shares and 22,095,194 non-listed ordinary shares with a nominal value of € 0.01 each, jointly representing 3.18% of the aggregate issued share capital, and 225,000,000 multiple voting shares with a nominal value of € 0.20 each, representing 96.82% of the aggregate issued share capital.

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

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

c) For information on participations in the capital of the Company for which a disclosure obligation exists under Sections 5:34, 5:35 and 5:43 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), please see "Major shareholders" in the Corporate Governance report. There you will find a list of shareholders who are known to the Company to have holdings of 3% or more at the stated date.

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

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

f) No restrictions apply to voting rights attached to the shares in the capital of the Company, nor are there any deadlines for exercising voting rights other than the restriction of the number of votes that may be cast on multiple voting shares as set out in article 26.1 of the articles of association describing the voting threshold and further explained in "Share capital and general meeting", subparagraph "Voting rights and adoption of resolutions" in the Corporate Governance report. Except by virtue of the different voting rights attached to the ordinary shares and non-listed ordinary shares (one vote per share) and the multiple voting shares (20 votes per share, subject to the application of a voting threshold), none of the shareholders will have any voting rights different from any other shareholders.

g) The Company is not aware of the existence of any agreements with shareholders of the Company which may result in restrictions on the transfer of shares or limitation or voting rights, other than (a) a shareholders' agreement between Merloni Holding S.p.A. and Amaranta S.r.l entered into on 26 October 2021 and (b) lock-up provisions included in the agreement for the sale and purchase of CENTROTEC Climate Systems GmbH entered into between CENTROTEC SE and Ariston Holding N.V. on 15 September 2022.

The shareholders' agreement provides as follows:

(i) Merloni Holding S.p.A. shall procure that one person indicated by Amaranta S.r.l. is appointed as director so long as Amaranta S.r.l. holds at least 7% of the issued share capital of the Company;

(ii) should Merloni Holding S.p.A.:

   a. decide to sell a number of multiple voting shares so that it loses control over the Company, then Amaranta S.r.l. will be entitled to tag its multiple voting shares to the sale of multiple voting shares held by Merloni Holding S.p.A.;

   b. receive an offer for the entirety of the outstanding multiple voting shares, then Merloni Holding S.p.A. will be entitled to drag along the multiple voting shares held by Amaranta S.r.l.;

(iii) Merloni Holding S.p.A. shall be entitled to acquire from Amaranta S.r.l. 6,000,000 multiple voting shares in exchange for the same amount of ordinary shares by virtue of a call option; and

(iv) each of Merloni Holding S.p.A. and Amaranta S.r.l. shall inform the other party in case it wishes to convert its multiple voting shares into ordinary shares.

Pursuant to the lock-up provisions included in the sale and purchase agreement, CENTROTEC SE may not transfer the 41,416,667 ordinary shares (of which 22,095,194 non-listed ordinary shares) it holds in the capital of the Company following the sale of CENTROTEC Climate Systems GmbH until 2 January 2024 and may not transfer more than 20,708,332 ordinary shares until 2 January 2025.

h) The rules governing the appointment and dismissal of directors are stated in the articles of association. All directors are appointed by the general meeting. The Board nominates a candidate for each vacant seat. A nomination by the Board will be binding as described under "Board" in the Corporate Governance report. Directors are appointed for a period of time to be determined by the general meeting, ending not sooner than immediately after the general meeting held in the first year after the year of their appointment and not later than immediately after the general meeting held in the fourth year after the year of their appointment.

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

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

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

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

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

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

The Company is entitled to acquire fully paid-up shares in its capital. The terms and conditions for the acquisition of shares by the Company in its capital are set out in article 10 of the articles of association.

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

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

8. Other Information

Independent auditor's report

To: the shareholders and audit committee of Ariston Holding N.V.

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

We have audited the financial statements 2023 of Ariston Holding N.V. based in Amsterdam, the Netherlands.

The financial statements comprise the consolidated and company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Ariston Holding N.V. as at 31 December 2023 and of its result and its cash flows for 2023 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Ariston Holding N.V. as at 31 December 2023 and of its result for 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2023
- The following statements for 2023: the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in shareholders' equity
- The notes comprising material accounting policy information and other explanatory information

The company financial statements comprise:

- The company statement of financial position as at 31 December 2023
- The company income statement for 2023
- The notes comprising a summary of the material accounting policy information and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Ariston Holding N.V. (the company) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Ariston Holding N.V. and its subsidiaries are a global group primarily active in the business of the production and distribution of thermal comfort and water and space heating solutions. The group is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

On 2 January 2023 the company completed the acquisition of Centrotec Climate Systems GmbH (hereinafter: Centrotec). For further details we refer to our section Key audit matters.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€23 million (2022: €9.5 million)
Benchmark applied	Approximately 0.75% of revenues
Explanation	Last year we considered profit before taxes as the appropriate basis for determining our materiality, because the users of the financial statements of profit oriented entities tend to focus on operational performance. Given that the Group is active in a listed environment for a couple of years, made a significant growth due to an acquisition in the current year and combined with the available communication towards the financial markets and other stakeholders, we have identified that the Group highlights performance primarily in terms of revenues for showing growth. Next to profitability, investors also focus on volumes and future growth of revenues of the Group. Accordingly, we changed our measurement basis from profit before tax to revenues, as it is considered an important and stable indicator for the users of the financial statements.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the audit committee that misstatements in excess of €1.15 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

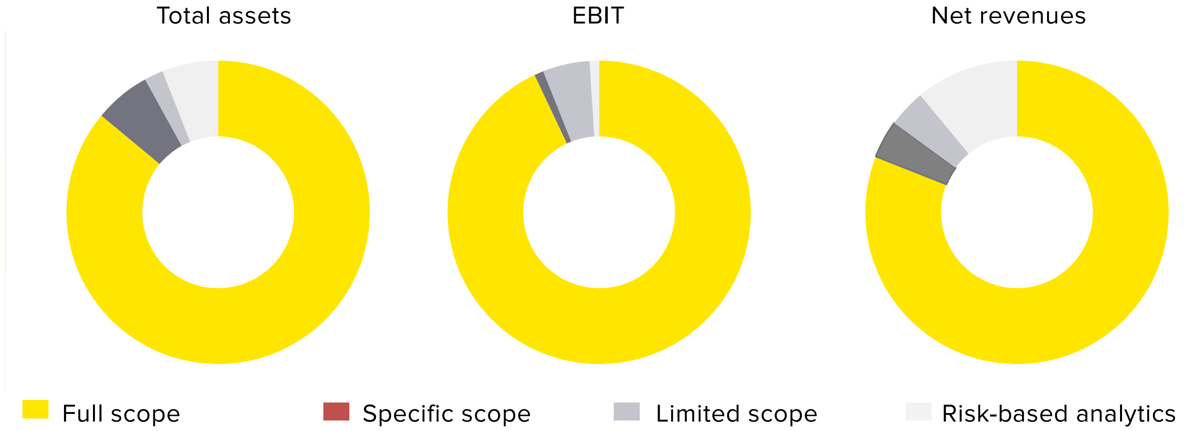
Ariston Holding N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities. Group entities are considered significant components either because of their individual financial significance or because they are likely to include significant risks of material misstatement due to their specific nature or circumstances. All group entities (of which 35 full scopes, 9 specific scopes and 12 limited scopes) were included in the scope of our group audit and 35 components have been subject to risk-based analytics.

In establishing the overall approach to the audit, we determined the type of work that is needed to be done by us, as group auditors, or by component auditors from Ernst & Young Global member firms operating under our instructions. The group audit team audited the group consolidation, financial statements and disclosures. We combined remote working with a site visit approach and as a result were able to visit management and component auditors in Italy, Germany and the Netherlands as the most significant components reside here. For all entities in scope, we shared detailed instructions with the component auditors, had regular conferencing calls with the component auditors and we reviewed their deliverables.

In total these procedures represent 94% of the group's total assets, 99% of EBIT and 95% of net revenues.



By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at component level included the appropriate skills and competences which are needed for the audit of a listed client in the heating industry. We included specialists in the areas of IT audit, forensics, sustainability, treasury and income tax and have made use of our own experts in the areas of valuations and actuaries.

Our focus on climate-related risks and the energy transition

Climate change and the energy transition are high on the public agenda. Issues such as CO_2 reduction impact financial reporting, as these issues entail risks for the business operation, the valuation of assets (stranded assets) and provisions or the sustainability of the business model and access to financial markets of companies with a larger CO_2 footprint.

Management summarized Ariston Holding N.V.'s commitments and obligations, and reported these in Section 5. Governance of the board report how the company is addressing climate-related and environmental risks.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the effects of the energy transition and the company's commitments and (constructive) obligations are taken into account in estimates and significant assumptions, especially in the area of impairment of goodwill, as well as in the design of relevant internal control measures. Furthermore, we read the board report and considered whether there is any material inconsistency between the non-financial information in Section 5. Governance and the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgments, estimates or significant assumptions as at
31 December 2023.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the control and risk committee exercises oversight, as well as the outcomes.

We refer to Section 5.2 Non-Financial Disclosure of the Governance report for management's (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistleblower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We addressed the risks related to management override of controls, as these risks are present in all companies. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and material accounting estimates as disclosed in Note 4 subsection xxi to the financial statements. We have also used data analysis to identify and address
high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.

The following fraud risks identified required significant attention during our audit.

Presumed risks of fraud in revenue recognition	
Fraud risk	We presumed that there are risks of fraud in revenue recognition. We evaluated that revenues from the divisions Thermal Comfort, Burners and Components in particular give rise to such risks. These three divisions consist of four revenue streams, being Professional, DIY (Do it yourself), Business-to-Business and Service. We describe the details of the fraud risk in the description of the key audit matter: Risk of improper Revenue Recognition.
Our audit approach	We describe the audit procedures responsive to the presumed risk of fraud in revenue recognition in the description of our audit approach for the key audit matter: Risk of improper Revenue Recognition.

We considered available information and made enquiries of relevant executives, directors, legal, compliance, human resources, regional directors and the audit committee.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations
We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, reading minutes, inspection of compliance reports and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern
As disclosed in section Going concern in Note 3 subsection i to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with management exercising professional judgment and maintaining professional skepticism. We considered whether management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the audit committee. The key audit matters are not a comprehensive reflection of all matters discussed. Following the acquisition, a new key audit matter Improper accounting related to Centrotec acquisition and underlying Purchase Price Accounting has been identified.

<table>
<tr><th colspan="2">Risk of improper revenue recognition</th></tr>
<tr><td>Risk</td><td>Revenue is one of the key indicators of the company's performance and considered a focus of the users of the financial statements.

We considered the following aspects as part of our assessment of the fraud risk in regard to the three divisions Thermal Comfort (TC), Burners (BUR) and Components (COM):
• High volume of sales transactions
• Different revenue streams
• The year-end bonuses arrangements (YEBs)
• The management adjustments on cut-off at year-end
• Other manual journal entries

As mentioned in the section Our audit response related to fraud risks above, we identified a fraud risk to record primarily revenues and/or other areas impacting earnings in order to achieve its targets through manual journal entries recorded at or near period-end.

Given the focus of users of the financial statements and the identified fraud risks, we consider improper revenue recognition a key audit matter.

Financial statement disclosures related to revenue recognition are reported in Note 4 subsection xxi and subsection xvi and Note 6.1 subsection 1.1.</td></tr>
<tr><td>Our audit approach</td><td>The procedures designed to address the matter in our audit included, amongst others:
• We have obtained an understanding of the significant classes of transactions impacting revenue (including the manual journals thereof) and performed walkthroughs of each in order to confirm our understanding of revenue streams.
• We have verified if a consistent revenue recognition methodology (IFRS 15) with prior year was applied.
• We have made inquiries of management.
• We have performed analytical review procedures and performed a test of detail as to revenue recorded near or close to period-end.
• We have performed a test of detail for a sample of year-end bonus contracts to verify the proper application of the contract conditions in issuing related credit memos.</td></tr>
</table>

Risk of improper revenue recognition	
	• We have performed tests of manual journal entries recorded to verify appropriate business rationale, and proper authorization and documentation of approval. • We have audited manual journal entries made by people who are entitled to the management bonus scheme (MBO) and/or long term incentive plan (LTI) to verify appropriate business rationale and documentation of approval. Lastly, we assessed the adequacy, included in Note 4 subsection xvi and subsection xxi and Note 6.1 subsection 1.1 of the disclosures in the explanatory notes to the consolidated financial statements.
Key observations	Based on the audit procedures performed, we did not identify inappropriate manual journal entries made nor any material misstatements in the revenue reported.

Improper accounting related to Centrotec acquisition and underlying Purchase Price Accounting	
Risk	As at 2 January 2023 the Group completed the acquisition of Centrotec, after having received all necessary approvals. The total consideration paid by the company at the closing date was €1,024.5 million. In 2023, the company finalized the purchase price allocation of the net identifiable tangible and intangible assets acquired and liabilities assumed based on their fair values. Goodwill, for the amount of €587.6 million, was calculated as the excess of the consideration transferred over the net assets acquired. Auditing the company's accounting of the acquired intangible assets of Centrotec was complex, due to significant estimation uncertainty in determining the fair value of identified intangible assets of approximately €329.1 million, which primarily consisted of customer relationships, brand-related assets and technology-related assets as these values include subjective factors. Due to the significance and complexity of the identification of assets and liabilities for this transaction, we consider this a key audit matter. The company has disclosed the acquisition in Note 2.1.1 of the financial statements.

Improper accounting related to Centrotec acquisition and underlying Purchase Price Accounting	
Our audit approach	The procedures designed to address the matter in our audit included, amongst others: • We obtained an understanding of the purchase price process, and evaluated the design of controls in this area relevant to our audit. • We reviewed the transaction agreements, meeting minutes and verified the underlying documentation for the consideration transferred. • We evaluated if the accounting method applied is consistent and in compliance with IFRS 3. • EY valuation specialist assisted us with the determination and valuation of the identifiable assets and liabilities in compliance with IFRS 13 and IAS 38. • We performed substantive audit procedures that included, among others, assessing the appropriateness of the valuation methodologies used and testing the significant assumptions used in the valuation model, including the completeness and accuracy of the underlying data. • We performed detailed audit procedures on the existence and completeness of the assets and liabilities identified as part of the acquisition. Lastly, we assessed the adequacy, included in Note 2.1.1 of the disclosures in the explanatory notes to the consolidated financial statements.
Key observations	Based on the procedures performed, we concluded the acquisition accounting of Centrotec and the underlying Purchase Price Allocation is materially correct.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon. The other information consists of:

- The board report (which consists of the Sections 2, 3, 4 and 5 of the annual report) for the year ended 31 December 2023
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the board report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code for the remuneration report

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code. Management and the audit committee are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:14 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the general meeting as auditor of Ariston Holding N.V. on 28 May 2021, as of the audit for the year 2021 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

Ariston Holding N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion the annual report prepared in the XHTML format, including the (partially) marked-up consolidated financial statements as included in the reporting package by Ariston Holding N.V., complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N, “Assuranceopdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument” (assurance engagements relating to compliance with criteria for digital reporting). Our examination included amongst others:

- Obtaining an understanding of the entity’s financial reporting process, including the preparation of the reporting package
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared in accordance with the technical specifications as included in the RTS on ESEF
  - Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF

Description of responsibilities regarding the financial statements

Responsibilities of management and the audit committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRSs Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The audit committee is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.
Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 5 March 2024

Ernst & Young Accountants LLP

signed by A.M. Buijs

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