Ariston Holding NV

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

at 30 September 2021

ARISTON GROUP

DIRECTORS' REPORT ON OPERATIONS

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External Auditor

EY NV

MAIN EVENTS OF THE THIRD QUARTER OF 2021

July

The Group announces to the business community that **Ariston Holding's legal headquarters has been moved to The Netherlands**. Ariston Holding will primarily act as financial holding, while the tax residence of the holding company as well as the company both remain in Italy. This decision allows the Company to strengthen the governance instruments available for long-term shareholders, with the aim of supporting the Company in pursuing new growth opportunities.

September

Ariston and **Juventus** announce they have signed a **Regional partnership in Indonesia**, as a second step of a fruitful collaboration already started in China in January 2021.
With this partnership, the two Italian brands join their ambitions of growth and development assuring high performances thanks to a **common attitude**. "Challenges Deserve Champions" is, again, the claim of the partnership, in line with the values shared by both brands.

REFERENCE FRAMEWORK

MACROECONOMIC SCENARIO

After recording a world GDP contraction equal to -3.1% in 2020, the International Monetary Fund (IMF) estimates a recovery of 5.9% for 2021.
In this context, it should be noted that Italy is forecasted to shift from -8.9% in 2020 to +5.8% in 2021, France from -8.0% to +6.3% and Spain from -10.8% at +5.7%.
In its October estimates the IMF assumes a less rapid turnaround for Germany from -4.6% in 2020 to +3.1% in 2021, as well as for the United States, which moves from -3.4% to +6.0%.
The above trends are supported by the continuous stimulus to the economy achieved via monetary policies and demand support. Vietnam, Turkey and China are the only three economies that recorded a positive growth in 2020, at +2.9%, +1.8% and +2.3%, respectively, while in 2021 the growth is estimated at +3.8%, +9.0% and +8.0%.
A strong recovery is expected for India, Mexico and the United Kingdom in 2021 (+9.5%, +6.2% and +6.8% respectively) after a severe decrease recorded in 2020 at -7.3%, -6.2, and -9.8%.

Growth projections (GDP), annual percentage changes

	ACTUAL	PROJECTIONS	
	2020	2021	2022
World Output	-3.1%	5.9%	4.9%
Belgium	-6.3%	5.6%	3.1%
China	2.3%	8.0%	5.6%
France	–8.0%	6.3%	3.9%
Germany	–4.6%	3.1%	4.6%
India	–7.3%	9.5%	8.5%
Indonesia	–2.1%	3.2%	5.9%
Italy	–8.9%	5.8%	4.2%
Mexico	–8.3%	6.2%	4.0%
Poland	–2.7%	5.1%	5.1%
Romania	–3.9%	7.0%	4.8%
Russia	–3.0%	4.7%	2.9%
Saudi Arabia	–4.1%	2.8%	4.8%
South Africa	–6.4%	5.0%	2.2%
Spain	–10.8%	5.7%	6.4%
Switzerland	–2.5%	3.7%	3.0%
Turkey	1.8%	9.0%	3.3%
United Arab Emirates	–6.1%	2.2%	3.0%
United Kingdom	–9.8%	6.8%	5.0%
United States	–3.4%	6.0%	5.2%
Vietnam	2.9%	3.8%	6.6%

Source: IMF, World Economic Outlook, October 2021

EXCHANGE RATES

During the third quarter of 2021 the euro recorded both appreciations and depreciation compared to the main currencies relevant to the Ariston Group.

In comparison with the average exchange rates of the third quarter 2020, the most marked appreciation is recorded with respect to the Turkish lira (+19.0%) and the Romanian leu (+1.8%).

Depreciation of the euro was recorded against the Mexican peso (-8.6%), Canadian dollar (-4.6%), British pound (-5.5%) and the Chinese yuan (-5.7%).

Considering the average first three quarters of the year compared to the same period last year, the trends illustrated above are overall less marked, except for the Russian ruble (+0.4% Avg. Q3 vs +10.7% Avg. YTD), the US Dollar (+0.8% Avg. Q3 vs +6.3% Avg. YTD) and the Turkish lira (+19.0% Avg. Q3 vs +27.8% Avg. YTD).

The exchange rate of the euro at 30 September 2021 follows a general trend of depreciation compared to almost all the main currencies.

Euro Exchange rates against major currencies

	2020			**2021**			**Δ**		
	Avg. Q3	**Avg. YTD**	**30/09/20**	**Avg. Q3**	**Avg. YTD**	**30/09/21**	**vs Avg. Q3**	**vs Avg. YTD**	**vs 30/09/21**
CHF	1.08	1.07	1.08	1.08	1.09	1.08	0.7%	2.1%	0.2%
CNY	8.09	7.87	7.97	7.63	7.74	7.48	(5.7%)	(1.6%)	(6.1%)
GBP	0.91	0.89	0.91	0.86	0.86	0.86	(5.5%)	(2.4%)	(5.7%)
RON	4.85	4.83	4.87	4.93	4.91	4.95	1.8%	1.8%	1.5%
RUB	86.24	79.96	91.78	86.59	88.53	84.34	0.4%	10.7%	(8.1%)
USD	1.17	1.13	1.17	1.18	1.20	1.16	0.8%	6.3%	(1.1%)
CAD	1.56	1.52	1.57	1.48	1.50	1.48	(4.6%)	(1.6%)	(5.9%)
VND	27,096	26,164	27,143	26,967	27,499	26,350	(0.5%)	5.1%	(2.9%)
INR	86.91	83.49	86.30	87.33	88.04	86.08	0.5%	5.4%	(0.3%)
TRY	8.46	7.60	9.10	10.07	9.71	10.30	19.0%	27.8%	13.2%
MXN	25.82	24.52	26.18	23.60	24.08	23.74	(8.6%)	(1.8%)	(9.3%)

Source: ECB

RAW MATERIALS

Confirming the strong inflationary trends started in 2020, the most relevant raw materials for Ariston Group recorded a significant increase in prices during the third quarter of 2021, both in the spot at end of period and as average, when compared with the same data from the previous year.
The only exception is represented by silver, which recorded a negative trend both on quarter average (-1%) and on September data (-8%).

In the third quarter of 2021, steel, polypropylene and copper recorded an average increase of 159%, 78% and 49% respectively, compared to the average price of the third quarter of previous year.
The trend is slightly attenuated if compared September 2021 versus 2020, where all raw materials recorded a less robust increasing trends reaching +112% and +67% for steel and polypropylene, respectively.

<u>Average monthly market prices of main raw materials (per ton)</u>

	2021			**2020**			**Δ**		
	30/09/ 2021	**Avg. Q3**	**Avg. YTD**	**30/09/ 2020**	**Avg. Q3**	**Avg. YTD**	**vs. Last Day**	**vs. Avg. Q3**	**vs. Avg. YTD**
Steel [€/ton]	1043	1129	977	491	436	442	112%	159%	121%
Polypropylene [€/ton]	1903	1957	1843	1140	1099	1144	67%	78%	61%
Copper [USD/ton]	9372	9700	9188	6610	6519	5849	42%	49%	57%
Nickel [USD/ton]	19125	17359	18037	14385	14208	13067	33%	22%	38%
Silver [€/ton]	598.82	662.00	688.00	651.00	666.00	547.00	-8%	-1%	26%

Note: For steel, the price of hot rolled steel for the European market was used; for copper the average daily "cash" prices.
Source: Metal Bulletin, ICIS LOR, LME

MARKETS AND BUSINESS PERFORMANCE

In the first three quarters of 2021 the market confirms a generalized growth in volumes and a recovery in market demand following the slowdown in 2020 caused by the COVID-19 emergency. In most of the markets the demand was even higher compared to 2019 thanks to green government subsidies and incentive programs.

Hot water market, both for traditional and renewable solutions, is estimated as strongly growing in most of the main geographies in which the Group operates compared to the first three quarters of 2020.

Also for what concerns space heating solutions, the demand for wall-hung boilers and heat pumps is estimated to have largely grown, also thanks to the support of regulatory requirements for new buildings and government incentive programs.

Hot Water Technologies

Renewable solutions

In Western Europe in the first three quarters of 2021 the market of heat pump solutions for hot water registered a growth in volumes. In this context, Ariston Group improved its market share.
Also in Eastern Europe the demand for this product category was estimated with a growing trend and Ariston Group market share is estimated to be strongly higher compared to 2020.

Electric solutions

In the first three quarters of 2021 the market demand for electrical storage water heaters grew double digit in the main European markets. In this context, Ariston Group market share is estimated as slightly increasing.

Also in the main African and Asian emerging geographies there was a positive trend in market demand and a recovery from the slowdown seen in 2020 for electric storage water heaters although in some countries the COVID-19 emergency is far from being under control and new lock-downs were registered (e.g., Vietnam).
In this context, Ariston Group market share is estimated as increasing if compared to the same period last year.

United States also shows a positive trend for the demand of electrical storage systems compared to the first three quarters of 2020 that were already showing signs of recovery from the pandemic.
In this context, Ariston Group improve its competitive position.

The recovery seen in 2021 also applies to the demand for Asian markets as well as in the Middle East. The performance of Ariston Group shows heterogeneous trends between the different geographies in which the Group operates and, overall, the competitive positioning is estimated growing compared to the previous year, particularly thanks to the positive trend seen in Saudi Arabia.

Gas solutions

The market demand for gas instantaneous water heaters is estimated with a positive trend in the first three quarters of 2021 compared to 2020 in the main European countries. This is particularly relevant in Spain, also thanks to a revocation of the RITE regulation in some of the southern regions of the country (where it is therefore still possible to install natural flow systems). In this context, Ariston Group is expected to improve its competitive position particularly in East Europe.

Demand for gas instant systems is also recovering in the main emerging geographies; in this context, Ariston Group share is overall stable when compared to the same period of 2020.

The demand for gas instantaneous water heating systems continues to grow fast also in the United States and Mexico where Ariston Group market share is estimated below 2020 level.

In the first nine months of 2021 for what concerns gas storage systems we estimate as well a positive trend compared to 2020 and in this segment Ariston Group registered a positive performance.

Heating Solutions and Services

Renewable solutions

Trends of widespread strong growth continue in all the countries of the European market in the segment of renewable technologies for heating, mainly driven by the regulatory requirements for new buildings and by specific incentive programs for existing buildings that require the use of renewable solutions that favor heat pumps.

Ariston was able to confirm the growth in the heat pump sector in the Northern European market (DACH) thanks to the premium heat pump offer and in the Central and Southern European market (especially Italy-France-Spain) thanks to the focus on the mainstream heat pump segment.

In particular, special mention is needed for the excellent performance in terms of market share, volumes and turnover of Italian market.

The Group achieved a +83% compared to the first nine months of 2020 in the mainstream and the premium heat pump segment.

Gas solutions

In Europe (principally Western Europe), the market demand for gas systems is confirmed as higher compared to the first three quarters of 2020, even if with a rate partially lower to what seen in the first two quarters considering the recovery trend already started in the second half of 2020. Market demand in Italy has seen record volumes thanks to the Ecobonus incentives that give users access to very advantageous tax deductions for the replacement of old boilers.

In this context, Ariston Group market share registered a positive trend, with a particularly positive performance in Italy.

In China the market trend is estimated to be negative compared to the same period last year for a more limited distribution of Coal to Gas incentives and in this context, Ariston Group market share is estimated increasing.

In North America the demand for high efficiency gas solutions for hydronic space heating shows an overall positive trend and in this context the Group is expected to improve its competitive position.

Burners

The third quarter of 2021 has been in line with the first half of the year recovering the decline recorded in 2020 and performing better than 2019, with the exception of the Chinese market.
The European burner market is generally positive with interesting growth in Germany, Italy, France UK. Confirmed the growth of the high power gas burners for projects.
The Chinese market is showing general signs of a slowdown particularly for ultra lowNox burners.
All other markets are in a growing phase.
In this context, the division recorded a general growing result thanks to the sales in Europe led by UK, France, Italy and Spain, both on direct distribution and on OEM’s customers, while Russia confirmed the expected recover in the second half of the year. Positive result even in Turkey due to the enlargement of the customer base.

Components

Components registered a significant increase in sales in the third quarter 2021.
In Hot Water business, growth was driven by high demand in Middle East.
Italian market also registered a significant growth with respect to the same period of the previous year.
Professional and Industrial segment high sales growth were driven by the catering sector with an increase above 2019 level, by the industrial sector - in particular railway and manufacturing - and by comfort and medical sector.
Finally, domestic appliances registered a slight decrease versus 2020 due to clients' supply chain complexities especially with electronic components.

COVID-19

September 2021 is still characterised, even differently among countries, by the Covid-19 pandemic. The Group since the beginning of the pandemic set up several Crisis Committees, some of which are still operating and alive, with dedicated meetings to monitoring the global scenario, ensuring the safety of human resources and the normal course of business operations, securing the supply chain and distribution to customers, and monitoring operating costs, investments, and liquidity. All the Committees did not negatively affect the internal control system and financial reporting processes.

Safety of the workforce remains the absolute priority, by continuing on taking steps beyond the regulatory requirements to minimise the contagion among employees, while ensuring business continuity and duly complying with the emergency laws passed by the various local authorities.
Even with a context of an economic upturn, Group is always strictly monitoring all financial indicators to keep on protecting itself from any potential fallout of the pandemic on its financial performance and financial position, and through precautionary strategies, a conservative balance sheet and a higher liquidity buffer.
At the moment is still in place some ban on travel not strictly necessary to conduct the business and smart working policies.
The effective and timely implementation of the above measures, combined with the sector's resilience to adverse business cycles and the Group's geographic diversification.

In compliance with IAS 38 and IAS 36 at least on a yearly basis the Group verifies the recoverable value of intangible assets with indefinite life, the values were tested at aggregate level based on the values allocated to the three cash-generating units (CGUs), identified as the lowest level at which the Goodwill is monitored by the Group and is considered appropriate, given the synergies and efficiencies obtained.
The reference CGUs are the three divisions within a unique segment unit of reporting: Thermal Comfort (TC), Burners (BUR), and Components (COM).

The financial and economic situation as of September 2021 does not require an update of the impairment test that had been performed in the consolidated financial statements dated 30 June 2021. In the meantime, no relevant events had been occurred that could require its re-performing. The cash and economics prospective are then positively confirmed.

RECLASSIFICATIONS AND ALTERNATIVE PERFORMANCE INDICATORS (APMs)

This “Directors’ Report on Operations” contains some summary data compliant with international accounting standards (IFRS), even if not required by the same.
This data is provided in order to allow for a better assessment of the operating performance of the Group, but it is not to be considered as an alternative to the data required in IFRS.

Specifically, the operating data were reclassified as follows:

RECLASSIFICATIONS	IFRS RECONCILIATION
Revenue	Revenue
Adjusted EBITDA	Operating profit + Depreciation & Amortisation + Special Items (*)
EBITDA	Operating profit + Depreciation & Amortisation
Adjusted EBIT	Operating profit + Special Items (*)
EBIT	Operating profit
EBT	Profit before tax
Adjusted Net result	Net result + Special Items (*) and related tax effect
Net result	Net result

(*): Special Items relate to transactions or events identified as not indicative of the Group’s ongoing operating performance, such as non-recurring events or transactions, restructuring or reorganizational costs, individual or collective employment termination agreements, impairment losses of fixed assets, ancillary expenses associated with acquisitions of business or companies or their disposals, any other event not representative of normal business operations.

The equity and financial data are instead reclassified in accordance with the following model:

RECLASSIFICATIONS	IFRS RECONCILIATION
Trade receivables	Trade receivables
Inventories	Inventories
Trade payables	Trade payables
Net working capital	
Fixed assets	Intangible assets + Tangible assets + Investments in associates
Other net assets/liabilities	Other residual assets/liabilities items
Total capital employed	
Net financial position	+ Non-current financial liabilities + Non-current loans + Current financial liabilities + Current loans – Current and non-current financial assets – Cash and cash equivalents
Equity	Total equity attributable to equity holders of the Parent
Total equity and financial liabilities	

The reclassifications, in addition to the conventional financial indicators required in IFRS, present some complementary performance indicators in order to allow for a better assessment of the operating and financial performance. In particular:

- **EBITDA/Adjusted EBITDA - EBIT/Adjusted EBIT** - These are measures of operational profitability and are used by Ariston to define and evaluate its operational performance targets.

➢ **Net Financial Position** - This indicator shows the capacity to support financial obligations, such as gross financial debt after deducting cash and cash equivalents, and other current and non-current financial assets.

OPERATING RESULTS

The following table presents the Group's main financial performance indicators for 2021, with a comparison to the previous year.

Summary of operating results (mln €)	30/09/2021		30/09/2020		▲ 2021-2020	
Revenue	**1,412**	**100.0%**	**1,130**	**100.0%**	**283**	**25.0%**
Adjusted EBITDA	191	13.5%	141	12.5%	50	1.0%
EBITDA	179	12.7%	133	11.8%	46	0.9%
Adjusted EBIT	136	9.6%	84	7.5%	52	2.2%
EBIT	123	8.7%	75	6.7%	48	2.0%
EBT	115	8.1%	64	5.7%	51	2.5%
Adjusted Net result	100	7.0%	53	4.7%	46	2.3%
Net result	**113**	**8.0%**	**46**	**4.1%**	**67**	**3.9%**

Profitability ratios (*)	*30/09/2021*	*30/09/2020*
Employed capital (mln Eur)	670	670
ROE (Net result/Equity)	30.7%	18.2%
Adjusted ROI (Adjusted EBIT/Net employed Capital)	32.9%	22.5%
ROI (EBIT/Net employed Capital)	29.4%	20.6%
Adjusted ROS (Adjusted EBIT/ Revenue)	11.3%	9.2%
ROS (EBIT/ Revenue)	10.1%	8.4%

(*) Rolling last 12 months/balance at period-end; changes in scope normalised for the full year

Profitability ratios (**)	*30/09/2021*	*30/09/2020*
Employed capital (mln Eur)	670	670
ROE (Net result/Equity)	21.3%	9.3%
Adjusted ROI (Adjusted EBIT/Net employed Capital)	20.3%	12.6%
ROI (EBIT/Net employed Capital)	18.3%	11.2%
Adjusted ROS (Adjusted EBIT/ Revenue)	9.6%	7.5%
ROS (EBIT/ Revenue)	8.7%	6.7%

(**) 9 months/balance at period-end.

Ariston Group ended 2021 with € 1,412 million in consolidated **Revenue**, up € 283 million and +25% from € 1,130 million in 2020.
The increase is fully organic (with no change in scope) and negatively affected by exchange rates, which amounted to a negative € 16.9 million (-1.5%) compared to previous year.

Despite the Covid-19 pandemic global negative effects, the **Thermal Comfort** division stood out for the steady strong growth of its European markets and all of the key markets of the other geographical areas.
More specifically, the Heating Solutions and Services segment saw steady growth in Eastern Europe, Canada as well as Switzerland and the domestic Italian market, especially with respect to renewable energy heat pump solutions.

The Hot Water Technology business segment reported a solid growth in all markets too.

The **Burners** division also recovered from a declining 2020, with a double digit growth, whilst the **Components** division, previously reporting different trends in its different segments, definitively recovered with an overall double digit growth.

At 30 September 2021, **Adjusted EBITDA** totalled € 191 million, 13.5% as a percentage of revenues, compared to € 141 million and a 12.5% in 2020.
Profit margins rose steadily mainly thanks to volumes, mix and price, with the latter only partially offsetting the headwind on raw materials inflation. Fixed costs increased due to an unfair comparison with the abnormal low levels of 2020 for Covid-19.
The "Special Items" for the period amounted to € 11,589 thousand compared to the prior-year period when were equal to € 7,460 thousand. These expenses comprise primarily the costs for restructuring and footprint.

EBITDA amounted to € 179 million, 12.7% as a percentage of revenue, compared to € 133 million and 11.8% in 2020.

The Group delivered also a robust **Adjusted EBIT** in both absolute terms and as a percentage of turnover, amounting to € 136 million (9.6% of revenue) compared to € 84 million (7.5% of revenue) in 2020.
The "Special Items", relevant to EBIT only amounted to € 13,371 at September 2021 (€ 9,259 thousand at September 2020) included the amortisation of PPA totalling € 1,782 thousand at September 2021 (€ 1,799 thousand at September 2020).

The **EBIT** for the period amounted to € 123 million, 8.7% as a percentage of revenue, compared to € 75 million (6.7% of revenue) in 2020.

Overall, the Group reported € 4,8 million in financial income and expenses, with a € 7,8 million reduction compared to the same period of the prior year. This was driven largely by lower financial expenses that dropped by € 3,8 million mainly driven by a lower utilisation of available bank loans. Therefore, the Group's operations generated € 115 million in **EBT**, 8.1% as a percentage of revenue, compared to € 64 million and 5.7% in September 2020.

The **Adjusted Net result** for the period amounted to € 100 million, 7.0% as a percentage of revenue, compared to € 53 million (4.7% of revenue) in 2020.

Considering the positive contribution from deferred taxation, mainly driven by the effect of Italian Law 104/2020 application, bringing the tax rate to a positive upturn, the Group posted € 113 million **Net result**, amounting to 8.0% as a proportion of revenue, significantly up compared to € 46 million (4.1% of revenue) in the prior year.

STATEMENT OF FINANCIAL POSITION

The following table contains a summary of the financial position at year-end.

Financial position (mln €)	30/09/2021		31/12/2020		30/09/2020	
Trade receivalbles	228	34.0%	228	38.6%	208	31.0%
Inventories	385	57.4%	265	45.0%	298	44.5%
Trade payable	-431	-64.3%	-364	-61.7%	-291	-43.4%
Net working capital	**182**	**27.1%**	**129**	**21.9%**	**215**	**32.1%**
% on rolling turnover	*9.3%*		*7.8%*		*13.1%*	
Net fixed assets	739	110.3%	733	124.2%	730	109.0%
Other net assets/liabilities	-251	-37.4%	-272	-46.1%	-276	-41.1%
Total capital employeed	**670**	**100.0%**	**590**	**100.0%**	**670**	**100.0%**
Net financial position	139	20.7%	144	24.3%	173	25.8%
Total shareholders'equity	531	79.3%	447	75.7%	497	74.2%
Total financing sources	**670**	**100.0%**	**590**	**100.0%**	**670**	**100.0%**

Financial position ratios	*30/09/2021*	*31/12/2020*	*30/09/2020*
Gearing (Net equity/Net employed capital)	**0.79**	**0.76**	**0.74**
DSO (Days Sales Outstanding - going back)	**41**	**42**	**42**
DPO (Days Payables Outstanding - going back)	**96**	**95**	**94**

At 30 September 2021, Ariston Group reported € 670 million in net invested capital, up from € 590 million in December 2020 and equal to € 670 in September 2020.
The Net Working Capital that increases compared to December 2020, both in absolute term as well as in percentage, due to the usual seasonality trends, is indeed improving compared to the third quarter of the 2020. The Net financial position reported a reduction of € 34 million compared to September 2020 mainly driven by higher volume and profitability.
The gearing ratio improved, from 74% of last year same period, to 79% in September 2021.

At 30 September 2021, the **Net Working Capital** totalled € 182 million, 9.3% as proportion of rolling turnover, compared to € 129 million at the end of December 2020, and 7.8% as percentage of turnover and € 215 million 13.1% as percentage of rolling turnover at September 2020.
The working capital management, even in a period of strong restocking trend, which is necessary to ensure availability of products in difficult times with a high demand and issues for certain components and raw material availability, remains under the double digit compared to rolling turnover, as a result of a strong operational focus.

The trade receivables totalled € 228 million and 11.7% as a percentage of turnover, compared to € 228 million and 13.7% in December 2020 and € 208 million in September 2020 and 12.8%, with respectively 41, 42 and 42 days of sales outstanding.
Inventories amounted to € 385 million and 19.8% on revenue, compared to 15.9% in December 2020 and 18.4% in September 2020.

The trade payables increased up to € 431 million, 22.1% as a proportion of revenue, compared to € 364 million and 21.9% in December 2020 and 17.9% in September 2020. The days payables outstanding reached 96 against 95 in December 2020 and 94 days in September 2020 year-on-year as a result of the careful management of procurement contracts and the relevant terms and conditions.

At 30 September 2021, the **Net Fixed Assets** amount to € 739 million, up from € 733 million in December 2020 and € 730 in September 2020 mainly due to the restart of 2021 investment plan compared with the less investment year to date 2020. The added investments as of September 2021 is € 49 million meanwhile the additions up to September 2020 are € 29,6 million. Besides, the exchange rate versus year end increased the Net Fixed Assets Value for € 12,2 million, the remaining variation compared to year end is due to the depreciation of the period equal to € 56 million.

Other Net Assets/Liabilities recorded a negative balance of € 251 million versus € 272 million in December 2020 and € 276 million of September 2020, down by € 21 million compared with year end 2020 and € 25 million versus September 2020 respectively.

CASH FLOW PER TYPE OF ACTIVITY (mln €)	30/09/2021	31/12/2020	30/09/2020
INITIAL NET FINANCIAL POSITION	**-144**	**-167**	**-167**
Direct cash flows EBITDA	**179**	**227**	**133**
Cash flows from Investment activities and capex (*)	**-141**	**-41**	**-81**
CASH FLOWS FROM OPERATING ACTIVITIES (FREE CASH FLOW)	**38**	**186**	**53**
Cash flows from Financial Investments	**-5**	**-27**	**-27**
Cash flows from Financing Activities	**-28**	**-136**	**-32**
TOTAL CASH FLOW	**5**	**23**	**-6**
END NET FINANCIAL POSITION	**-139**	**-144**	**-173**

(*) including change in working capital, provisions, financial charges and taxes

The 2019 amounts were restated to account for the reclassifications relating to IFRS16

	NET FINANCIAL INDEBTEDNESS *(values in thousands of euro)*	2021 Sep	2020 Dec	2020 Sep
A	Cash	391,395	452,024	618,954
B	Cash equivalents including the current financial assets	311	434	404
C	Other current financial assets	5,153	7,909	9,166
D	**Liquidity** (A+B+C)	**396,858**	**460,368**	**628,524**
E	Current financial liabilities	-110,636	-35,545	-191,050
F	Current portion of non-current financial liabilities	-20,128	-188,007	-20,194
G	**Current Financial Indebtedness** (E+F)	**-130,764**	**-223,553**	**-211,243**
H	**Net Current Financial Indebtedness** (G-D)	**266,095**	**236,815**	**417,281**
I	Non current financial liabilities	-440,416	-389,874	-596,951
J	Non current financing (Debt instruments)			
K	Non current Trade and Other Payables	-3,177	-22,687	-26,748
L	**Non-Current Financial Indebtedness** (I+J+K)	**-443,593**	**-412,561**	**-623,699**
M	**Total Financial Indebtedness** (H+L) (*)	**-177,499**	**-175,746**	**-206,418**
N	Group Net Financial Position	**-138,831**	**-143,634**	**-172,505**
	∆ M-N	**-38,668**	**-32,112**	**-33,913**

(*) ESMA 32-382-1138 guideline

At 30 September 2021, the **Group Net Financial Position** was negative € 139 million, with a strong improvement compared to the same period of the previous year at € 173 million.

In March 2021 the ESMA 32-382-1138 guideline entered into force.
The main differences between Group Net Financial Position and ESMA Net Financial Indebtedness are the inclusion in the latter of (i) some contingent liabilities in the gross debt (mainly the Put and Call options from IFRS3 application), and (ii) the exclusion from Financial Assets of positive Mark To Market derivatives and escrow accounts.

The strong growth on revenue and EBITDA in the reporting period, compared to the first nine months of previous period characterized by strong Covid-19 negative effect, was the primary driver to the cash generation. The cash absorption is mainly driven by net working capital and a higher level of investments.

At 30 September 2021, the consolidated **Equity** was € 531 million compared to € 447 million at the start of the period and € 497 in the same period of the previous year.
The overall € 84 million increase was due to the positive contribution from the net profit for the period, totalling € 113,1 million, less the € 48,3 million dividend pay-out, € 16,5 million exchange rate effect stemming from the equity translation of the non-Euro denominated legal entities in perimeter, € 1,6 million IAS 21 - *Effects of Changes in Foreign Exchange Rates*, € 2,6 million reserve of remeasurement under IAS19, cash flow hedge effect under IFRS9 negative for € 1,2 million and others for € 0,1 million.

HUMAN RESOURCES

At 30 September 2021, the Group's workforce is 7,692 versus the December 2020 7,519 and 7,384 of September 2020.
Both versus year end and previous period figure increase respectively by 173 headcounts and 308 mainly associated with the strengthening of operations structures in Mexico and Serbia and some focused hiring in Headquarters white collars.

INVESTMENTS AND RESEARCH AND DEVELOPMENT

During the period ended 30 September 2021, industrial and technical **investments** (excluding IFRS 16 Leasing) amounted to € 38,8 million, compared to € 17,7 million recorded in the same period of the previous year.
These investments were focused on growing new production lines, platforms for new products, continue the industrialisation of the historic production sites in Albacina and St Petersburg, the purchase of Borgo Tufico warehouse and the upgrading manufacturing equipment.

In the "***Hot Water Technology***" business, with regard to the **electric storage** product category, Ariston expands its electric storage water heaters offer in both US and Asia.
In US in Q3 the offer is enriched by 5 new models, in both enamel and inox tank technology to cover recent market trend and support the Group's strategy to become an important player in the US, which represents the second biggest ESWH market in the world.

In Asia, Ariston confirms its leadership in both Vietnam and India by enlarging its ESWH offer in expanding trade channels as e-commerce and electronic trade, keeping growing and being close to latest customer needs.

In **electric instantaneous water heaters** product category, Ariston launched in many markets (among which, KSA, Russia and India) the new Aures Multi. The range evolution includes new aesthetics, two sizes according to power and improved installation.

In **solar water heaters** product category, Ariston Group launched in September 2021 the new indirect solar water heater THERMO HF-2 dedicated to European and MEA markets.
The product confirms the Group attention for renewable solutions, consistently evolving the range towards more efficient products.

In **heat-pump water heaters** product category, the Group launched in the Netherlands the ATAG branded versions of the products Lydos Hybrid and NUOS PLUS. Aim of the launch is to benefit out of the growing demand in the domestic hot water segment.

Going to **Cylinders**, during the third quarter 2021, Ariston launched the new indirect water heater SSC-TC, HTP branded, available in 4 different versions (from 20 to 50 gallons).
The product is meant to provide a turnkey solution in combination with new residential gas wall-hung condensing boilers.

In the "***Heating Solutions and Services***" business, in particular in the **commercial segment**, in the third quarter of 2021 the launch of L PLUS gas products for China and France has entered into its final phase. Project release will occur within year end and Q1 2022 respectively.
On HHPC, UK has launched the new AEROTOP M and L products in July and is now offering them to its clients. The project rollup will involve now Poland, Denmark, France with launches planned for October.
AEROTOP M and L will boost ELCO's presence in HHP arena, contributing to make even more visible and recognizable the brand as being leader for heating solutions and renewable energies.

For the **domestic segment**, the new range of Entry Condensing WHB was launched in Europe and other not Erp markets (mainly Turkey, Balkans and Ukraine), for both brands Ariston and CHX.
The main novelty is the new Stainless Steel heat exchanger that makes this product the essential condensing boiler: EASY to INSTALL, EASY to USE and EASY to MAINTAIN.
In continuity with the past, this range is Easy to install thanks to the usual compact structure with the frontal access and add the advantage of a wider range of applications for new installations and replacement, it is Easy to use thanks to the "1 button - 1 function" logic and the introduction of a frontal pressure gauge to immediately read the pressure info, it is Easy to maintain thanks to the frontal access on the main components and the continuity with Galevo II HE platform.

For the **Burners** division, a new project to renovate the Ecoflam gas burner range from 750 up to 2 MW was launched in order to increase the competitiveness of the range.
The prototype of a new 330kW model was defined to be included in the Ecoflam Maxgas range and to compete with competitors on specific light process applications.
The stronger commercial activity on light process OEM's customers is engaging the Burners division in demanding technical development on customized solution to the customers' needs.

The **Components division** continues to stay focused on the development of a new heating element product range for "heat pump heating applications" and on the development of innovative electronic products for temperature controls on "water-heating applications".

MAIN ATYPICAL AND/OR UNUSUAL TRANSACTIONS

During the reporting period, within the broader corporate reorganization of the Ariston Group aiming to transform the holding in a company exclusively carrying out activities of equity investments, it was proceeded with the merger of the company Ariston Thermo Holding Spa in the wholly owned subsidiary Ariston Thermo International Srl, that, contextually, became a Spa company.
As a result, the totality of the assets of the former Ariston Thermo Holding Spa is included in the assets of the acquirer which, effective from the merger deed, June 1st 2021, renamed itself in Ariston Thermo Holding Spa.
This operation aims to strengthen, within the group, the role of the holding company and further simplifies the corporate organization eliminating the role of sub-holding company currently performed by Ariston Thermo International Srl (no longer needed), keeping unaltered the balances and assets of control and governance.

After the merger completed, then the last step of the reorganization took shape.
Ariston Thermo Holding Spa, being re-domiciliated in The Netherlands as Ariston Thermo Holding NV, established its registered office in Amsterdam on June 15th 2021.
The Company (hereafter also the "Parent Company") is a public company with limited liability incorporated and operating under the laws of the Netherlands. The Company's statutory seat is in Amsterdam, The Netherlands, and its registered office is at Via Broletto 44, Milan 20121, Italy.
The company is registered with the Dutch trade register under number 83078738, The Company's Legal Entity Identifier (LEI) is [81560019BF7D3EA3E624], VAT Code: 01527100422, Fiscal Code 00760810572.
The 16th of September the Company changed its name in Ariston Holding NV.
The Parent Company is having as primarily business the financial holdings activities meanwhile its subsidiaries (hereinafter the "subsidiaries") and jointly with the Parent Company (the "Group") are primarily active in the business of the production and distribution of hot water and space heating and service solutions.

On June 10th 2021 the Group finalised the acquisition of the 24.5% of the shares of Haas Heating BV, a start-up that operates in the space heating in The Netherlands.

The Group, from Italian subsidiaries, benefited from the measures enacted by Italian Law art. 110 of the Decree n. 104/2020, converted in the Law no. 126/2020, named "Urgent measures to support and relaunch the economy". The law allowed the revaluation of tangible and intangible assets, recognized for tax purposes with the payment of a 3% substitute tax on the increase in value. In particular, the Group benefited from this measure through the revaluation of selected trademarks, patents, software and tangible goods, which led to the recognition, in June financial statements, of deferred tax assets of € 62 million, equivalent to the tax benefit from the amortization of revaluated assets for a five-year period. Moreover, the 3% substitute tax equivalent to € 19 million has been included in the tax liabilities.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

The global pandemic that broke out in early 2020 is today significantly milder than last year: the current widespread use of vaccines and the improved ability to prevent, contain, and treat Covid-19 certainly better position the company for a turnaround on a global scale.
As reported in its nine-month 2021 results, the company is confident it can keep operating despite the uncertainty to the best of its ability, continuing above all else to protect the health of its employees and partners, and ensure the continuity to serve its customers.
The industry's resilience, alongside the company's focus on renewable and high-efficiency solutions and products - whose acceleration perfectly fits the times we are living in - the geographic diversification, and strong emphasis on continued efficiency, allow us to remain confident that the Group will achieve our strategic profitable growth and free cash flow objectives under our medium/long-term plans.

On October 4th the Compensation Committee has formalized the revised mechanism of the Long Term Incentive plan to key Group managers in order to align it to new challenge and projects.
The document is brought to the Board of Directors of the October 28th for its ratification that will lead to its execution immediately after.

On October 21st, Ariston Group has signed an agreement with Kibbutz Shaar Haamakim to acquire Chromagen, a leader in the renewable hot water solutions. Chromagen is active primarily in Israel and Australia, with a smaller commercial presence in southern Spain. The final closing of this transaction will happen in a few months, as it remains subject to customary closing conditions, including approval by the Israeli competition authorities. Ariston Group will purchase 100% of the shares and voting rights of Chromagen in Israel and Spain, and 51% of those in Australia. In Australia, the local minority shareholders – who are also the key managers in the company – will continue to hold 49% of Chromagen Australia.

MAIN RISKS AND UNCERTAINTIES TO WHICH ARISTON GROUP IS EXPOSED AND GOVERNANCE SYSTEM

The governance system

Effective risk management, integrated into the governance system, is a key factor to protecting the Group’s value over time. The Group’s Internal Control System has therefore been gradually developed, drawing inspiration from, among other sources, the Dutch Corporate Code and the principles laid down in Article 6 of the Italian Corporate Governance Code for Listed Companies approved by the Corporate Governance Committee in January 2020, to the extent applicable.
On June 15th, after the effective date of the re-domiciliation in The Netherland of Ariston Holding NV, the corporate organization of previous Ariston Thermo Holding Spa (currently Ariston Holding NV) changed as follows:

Board committees

- The Audit Committee

The Audit Committee assist the Board of Directors in monitoring the Company’s systems of internal controls, the quality and integrity of its financial reporting process and the content of its

financial statements and reports, as well as in assessing and mitigating its business and financial risks.
Among other things, the Audit Committee shall focus on: (i) monitoring the Board of Directors with regard to: (a) relations with, and compliance with recommendations by and following up of comments by, the internal audit function and the external auditor; (b) the funding of the Company; (c) the application of information and communication technology, including risk relating to cyber security; and (d) the Company's tax policy; (ii) informing the Board of Director of the outcome of the statutory audit, including an explanation of the manner in which the statutory audit has contributed to the integrity of financial reporting and the role of the Audit Committee in that process; (iii) monitoring the financial reporting process and making proposals to ensure the integrity of the process; (iv) monitoring the effectiveness of the internal management system, the internal audit system and the risk management system in relation to the financial reporting of the Company; (v) monitoring the statutory audit of the Annual Accounts, in particular the process of such audit taking into account the review of the AFM in accordance with article 26, paragraph 6 of Regulation (EU) No 537/2014; (vi) reviewing and monitoring the independence of the external auditor, as referred to in article 1 paragraph 1 (f) of the Supervision audit firms Act (Wet toezicht accountantsorganisaties), or the audit firm as referred to in article 1 paragraph 1 (a) and (c) of the Supervision audit firms Act (Wet toezicht accountantsorganisaties), and in particular the provision of other services to the Company; and (vii) determining the procedure for the selection of the external auditor and the nomination of the performed statutory audits pursuant to article 16 of Regulation (EU) No 537/2014.

- The Strategic Committee

The Strategic Committee is only entrusted with advisory tasks, as determined in Article 18.10 of the Articles of Association, aims at providing to the executive bodies advise as to the business strategic decisions, particularly as regards business strategies, models, footprint decisions and industrial management, business models, organizational recommendation and operating logics as well as regards external growth opportunities (be them integrative or transformative).

- The Compensation and Talent Development Committee

The Compensation and Talent Development Committee shall focus on: (i) periodically review the adequacy, overall consistency and actual application of the general policy adopted for the compensation of the Board of Directors, and to submit the related proposals to the Board of Directors; (ii) provide opinions on the proposals of the Board of Directors concerning the compensation of the directors and on setting performance objectives related to the variable component of the compensation. It will also monitor the application of decisions taken by the Board of Directors; (iii) make proposals to the Board of Directors concerning the criteria, beneficiary categories, quantities, terms, conditions and procedures for share-based compensation plans; (iv) drawing up selection criteria and appointment procedures for Directors; (v) periodically assessing the size and composition of the Board, and making a proposal for the Board Profile; (vi) periodically assessing the functioning of individual Directors and report their findings to the Board; (vii) making proposals for (re)appointments; (viii) supervising the policy of the Board on the selection criteria and appointment procedures for senior management; and (ix) periodically reviewing the diversity policy, including its effectiveness, and recommend any revisions to the Board.

- The ESG committee

The ESG Committee is only entrusted with advisory tasks, as determined in Article 18.10 of the Articles of Association, aims at (1) providing guidance to steer the strategy of the Company's group (Group) in terms of ESG visions and commitments; (2) approving the Group's materiality matrix along with the ESG Plan (targets, activities and KPIs) the Group commits to engage on to deliver against the material topics; (3) monitoring the ESG Plan execution, target achievement and progress of actions, including areas of work required by ESG rating agencies; (4) approving the Group's ESG Communication Plan and reporting methods related to ESG issues, i.e. "Declaration on non-financial issues"; (5) promoting the dissemination of a culture of sustainability in the Group; (6) supervising the activities of listening, dialogue and involvement of stakeholders.

Business risks are monitored with at least monthly frequency through management meetings during which results, opportunities and risks are analysed for all business segments and geographical areas in which the Group operates. The measures deemed necessary to mitigate the risks identified are also determined in this venue.

The Internal Audit Function shall pursue, among others, the goal of assessing the adequacy of, and propose improvements to, the control system by providing independent and objective assurance and risk assessments.
The annual audit plan and any mitigation plans issued in coordination with the head of business functions are the tools through which the Internal Audit function operates. The function interacts with the Board of Directors, the Audit Committee, and the Italian associates with respect to the risks associated with the requirements as per Italian Legislative Decree 231/2001, independent auditors in order to exchange information, and the business functions themselves.

In addition, the Company and all the Group's Italian subsidiaries complied with the requirements set forth by Italian Legislative Decree 231/2001, appointing an "'*Organismo di Vigilanza"* composed of three members, with an external Chair, as well as adopted an Organisation and Management Model that is constantly updated, complying with its procedures and ensuring the information flows required to effectively implement it. At the meeting held on 1 June 2021, the Board of Directors approved version number 1 of Ariston Holding NV's Organisation and Management Model, updating the Model to reflect the relevant regulatory and organisational changes occurred since version number 12 of Ariston Thermo Holding Spa Model was approved on 7 November 2019. The *Organismo di Vigilanza* reports annually to the Board of Directors, to which it submits any critical issues identified, and it also constantly monitors problems until they have been completely resolved.

Main risks and uncertainties

The types of risks identified for Ariston Group are as follows:

a) Strategic Risks:
    a. Risk: which may derive from the pursuit of the business plan, from strategic changes in the business context and / or from adverse strategic business decisions that could affect its long-term positioning and performance; and

   b. Appetite: Group considers itself ready to take risks in a responsible way that takes into account the interests of our stakeholders and are consistent with our business plan.

b) Operational Risks:
   a. Risk: which may affect internal processes, people, systems and / or external resources that affect the Group's ability to pursue its strategy; and
   b. Appetite: Group also pursues the goal of mitigating operational risks through cost / benefit assessments.

c) Compliance Risks:
   a. Risk: of non-compliance with laws, regulations, local standards, Code of Ethics, internal policies and procedures, and
   b. Appetite: Group believes, like our employees, to act with honesty, integrity and respect, including compliance with our Code of Ehics, laws and regulations applicable wherever we operate.

d) Financial Risks:
   a. Risk: relating to uncertainty of return and the potential for financial loss due to financial performances; together with the risks on the reliability of the financial information provided by the reporting; and
   b. Appetite: Group takes a cautious approach to financial risks. Through operations on the debt capital market, cash balances and bank credit line agreements, trying to maintain a debt / capital structure profile that allows investing in long-term objectives and rewarding stakeholders, as well as the correct representation of the economic information provided.

The Risk management and internal control system contains a structured process aimed at addressing individual risk categories, with defined main guidelines for risk appetite and responses applied.
The main risks and uncertainties to which the Group is subject are reported below, classified according to the identified types. The order in which they are listed does not imply that of relevance, neither in terms of probability of occurrence, nor of potential impact.
The parent company, Ariston Holding NV is exposed, indirectly, as Parent Company—to the same risks and uncertainties described in reference to the Group.

a) Strategic Risks

The Group depends on its ability to develop and maintain a product offering on pace with changes in customer demand and preferences.
The markets in which the Group competes are characterized by frequent new product introductions and enhancements, and changing consumer preferences and demands, as well as changing industry standards and regulatory requirements. The Group's future success will depend on its ability to consistently address changes in customer demands and develop and maintain a product offering that meets evolving customer preferences. In order to compete successfully, the Group must proactively address demand changes and customer preferences in its research and development, its inventory

levels and the mix of its product offering. The Group may not adequately attend to changes in customer demands and preferences and the Group may fail to adapt its product offering in a timely manner. Consumer preferences and demands may change faster than the Group is able to adapt its product offering, or there may be a sudden increase or decrease in demand causing the Group to have either insufficient or excessive inventory levels or an inadequate mix of available products. Issues in the Group's supply or distribution chain may also prevent the Group from being able to adapt to evolving customer demands and preferences.

The Group depends on its ability to maintain the quality of its products and processes and to develop and manufacture new products.
Many of the Group's products are highly technical, and its markets are characterized by changing technology and technical standards. Consequently, one of the determining factors in a customer's purchase decision is the quality of the Group's product offering and manufacturing processes. In order to remain competitive in the markets in which the Group operates, the Group must develop high-quality products that feature the latest technological advancements, and must be able to successfully integrate new technologies with its existing product offering. The development, manufacturing and sale of new technologies will often make existing ones outdated, which may lead in turn to a partial or total loss of the investments made. The principal focus of the Group's research and development activities is to improve processes and support the Group's ongoing development of high-efficiency and renewable products and solutions. Those activities are subject to various risks and uncertainties the Group is not able to control, including changes in customer demand, industry standards or regulatory requirements and the introduction of new or superior technologies by others. Any failure by the Group in the future to develop new technologies or timely react to changes in existing technologies could materially delay the Group's development of new products, which could result in product obsolescence, decreased revenues and a loss of the Group's market share to the Group's competitors.

The Group faces intense competition and its competitive position may deteriorate.
The markets for heating and hot water in which the Group operates are highly fragmented, with numerous and highly competitive participants. The Group competes with both large international market participants as well as with numerous smaller regional and local competitors that vary by region and product. The markets in which the Group operates require significant investment in research and development as well as in production and distribution capabilities. They are also characterized by technical complexity and loyalty to the established brands throughout the supply chain, including by third-party installers, wholesalers, distributors and end users, in part due to the transaction costs associated with changing brands. While this is advantageous for the Group for purposes of defending its existing market positions, this creates the risk that the Group may not be able to gain additional market share and improve its competitive position.
Furthermore, in addition to competing on the basis of product offering, the Group faces intense competition on price, which favors those who have the most flexible manufacturing capabilities and the most effective logistics footprint to quickly meet local customer demand with lower operational costs and more competitive pricing. If the Group is unable to quickly adapt its operational and logistics footprint as required to capture growth in certain fast-growing segments or geographies it may lose the ability to offer competitive prices and preserve margin and market share.

The Group may not be able to successfully manage future growth.
The Group's future growth also depends on a successful execution of the Group's business plan, which, in turn, depends on a number of assumptions. The assumptions relate to demand for the Group's products, conditions of the markets in which the Group operates or is planning to expand, the position of the Group's competitors in those markets, the resources available for planned growth and the related costs. If the assumptions underlying the Group's business plan for future growth turn out to be materially inaccurate, or if the Group is otherwise unable to execute its business plan, the Group may be unable to grow as planned and the Group's business may be materially affected.
The Group's ability to manage growth and integrate operations, technologies, products and personnel depends on the Group's administrative, financial and operational controls, its ability to create the infrastructure necessary to exploit market opportunities for the Group's products and financial capabilities

The Group is exposed to local business risks in many different countries.
The Group's growth strategy focuses on continuing to expand within the Group's existing geographical markets, as well as entering new markets. The Group's success as a multinational business depends upon its ability to anticipate and effectively manage differing legal, political, social and regulatory requirements, economic conditions and unforeseeable developments. The Group may not be able to succeed in developing and implementing policies and strategies that will be effective in each location where it does business. In addition, the Group operates in emerging markets, where these risks may be elevated, some of which, such as political and economic instability, few legal protections and corruption, can create a difficult business environment. This may also put the Group at a competitive disadvantage against competitors that are not subject to, or do not comply with, the same regulations, thereby limiting the Group's growth prospects in such countries. In addition, in some of the countries in which the Group operates, businesses are exposed to a heightened risk of loss due to fraud and criminal activity.

The effects of global economic cycles could have a material adverse effect on the Group's business.
Global economic growth remains volatile and could stall or reverse course. A global economic downturn could adversely affect consumer confidence and spending patterns, which could result in decreased demand for the products sold by the Group, deferred purchases, increased price competition or slower adoption of energy-efficient products or high-quality heating and hot water products. This could negatively impact the Group's profitability and cash flows. In addition, a deterioration in current economic conditions could negatively impact the Group's distributors and customers, which could result in an increase in bad debt expense, customer and distributor bankruptcies, interruption or delay in supply of materials, or increased prices of such materials, which could negatively impact the Group's ability to distribute, market and sell its products and the Group's business, results of operations, financial condition and prospects.
The Group derives most of its revenues from mature markets in Europe, where demand for replacements may be driven by, among other factors, the age of existing devices, consumer's financial resources or other government incentives to move towards more efficient and environmentally friendly technology. Decreased demand during an economic downtown in these mature markets can negatively affect profit margins on technologically advanced products. Decreased demand in emerging

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

Demand for the Group's products partially depends on the continued market trend toward greater sustainability and related government subsidies and other consumer incentives.
The Group's business is partially impacted by public policy incentives toward greater sustainability, with reference, in particular, to regulations or government programs aimed at obliging and/or incentivizing customers to update their hot water products. The present and projected demand for the Group's products is indeed partially driven by the need to address the market trends deriving from such public policy incentives. These current and expected trends could change due to a number of factors that are outside of the Group's control, including the modification or elimination of economic incentives encouraging the update of hot water products or the relaxation of regulatory requirements relating to greenhouse gas emissions

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

The Group is exposed to risks relating to acquisitions and divestments.
The Group's growth strategy partly involves growing through acquisitions, including those already planned for the near future. However, there is a risk that the Group will not be able to identify suitable acquisition targets or successfully complete strategic acquisitions, for example due to competition from other potential buyers or difficulties experienced in executing such acquisitions. This may lead to slowed or reduced growth for the Group. Growth through acquisitions also involves the risk of not being able to successfully integrate newly acquired businesses, their management and their employees. The Group may also incur significant acquisition and related expenses, including expenses for restructuring the acquired business. In addition, the Group may not be able to complete any future acquisitions or investments due to a failure to obtain the required regulatory approvals or other reasons, and the Group may experience unexpected delays in completing such acquisitions and investments, which may divert management time and resources for a prolonged period of time. Furthermore, the synergies that the Group expects to generate from the integration of an acquired business may be lower than expected or take longer to materialize than estimated. Any of these circumstances

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

b) Operational Risks

The Group depends on certain key raw materials and components to produce its products, including some for which only a limited number of suppliers exist; any shortages in such materials, increases in their prices or lack of renewal of supplier contracts would adversely impact the Group's sales and profit margins.
The Group is exposed to risks relating to the availability, quality and cost of raw materials component parts and specific finished products. In particular, the Group and the sub-contractors from which the Group buys component parts rely on various raw materials for their products, such as steel, polyurethane, non-ferrous metals such as copper, nickel and aluminium, as well as precious metals, such as silver, and electronic boards. Raw materials are used both directly by the Group in its manufacturing processes and by sub-contractors for the component parts subsequently assembled by the Group into finished products. The market price and availability of the materials that are used for the Group's operations can fluctuate sharply depending on market conditions, technological evolution and legislative changes. A shortage of raw materials, components or energy sources could also arise from decreases in extraction and production due to natural disasters or political instability or unrest in extracting and producing countries
While the Group seeks to manage its exposure to the risk of price fluctuation for raw materials, both by including in supply contracts suitable mechanisms to establish prices and periodically fix the price of raw materials for a set time period, and by operating on the financial derivatives markets within the limits of its policy on hedging, such measures may not fully shield the Group from rising commodity prices.
As the Group may not be able to pass price increases on to the Group's customers, commodity price increases could reduce the Group's profit margins. The Group's ability to pass on higher input prices to an end customer varies by transaction and by market, depending on the competition. If the Group passes price increases on to its customers, this could reduce its revenues. Both scenarios could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. In addition, disruptions in the supply of production materials resulting from shortages, labour strikes, supplier insolvencies or other factors could have a negative effect as well.

The Group is subject to the risk of interruption to its production, development processes, supply chain and distribution network, as well as inherent health and environmental risks for its employees.
The Group has a large number of production sites at which products are developed and assembled, thus posing specific health and safety risks. Accidents at manufacturing sites, which involve the use of hazardous substances, or environmental incidents, could lead to employee injuries or deaths, or environmental and property damage, which could permanently damage the Group's reputation in the public opinion, even if the Group was not actually responsible for causing such damage and no fault on the Group's part has been proven. Such incidents could lead to substantial financial liabilities and could affect the demand for the Group's products and services and have adverse financial consequences.

The Group may also be subject to interruptions to its supply chain due to a disruption of its relationship with suppliers or sub-contractors, or due to disruptions of the operations of the suppliers themselves. If any of the Group's key suppliers or sub-contractors is subject to a major disruption in its production to meet its obligations under its existing agreements with the Group, the Group may be unable to obtain the necessary materials or component parts for its operations.

The occurrence of any accidents or operational disruptions in the Group's production and manufacturing processes could increase the Group's operating costs and may impact the Group's ability to sell its products, which would decrease revenue, with a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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

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

The Group believes that the growth and success of its business will depend on its ability to attract highly skilled and qualified employees with specialized know-how in the heating and hot water industry.

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

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

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

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

The global coronavirus (COVID-19) pandemic, or other global public health pandemics, may have an adverse effect on the Group's business, results of operations and financial condition.
The Group's business, results of operations and financial condition may be adversely affected if a global public health pandemic, including the current COVID-19 pandemic, interferes with the ability of the Group's employees, suppliers and customers to perform the Group's and their respective responsibilities and obligations relative to the conduct of the Group's business and operations. The COVID-19 pandemic has significantly impacted economic activity and markets around the world, and while it has had a limited impact on the Group's operations in 2020 and 2021, including a reduction in revenue by 2.7% between 2019 and 2020, it could have a material adverse effect on the Group's business and operations.

c) Compliance Risks

Changes to governmental regulations that could require the Group to modify its current business practices, incur increased costs and subject it to potential liabilities, could have a material and adverse effect on the Group's business, financial position or results of operations.
The Group operates in several countries and must comply with an extensive range of statutes, laws and regulations pertaining to consumer protection, product safety, quality and liability, health and safety, environmental, fire, planning, landlord/tenant, competition, advertising, tax, data protection, employment practices (including pensions), anti-money laundering, anti-bribery and anti-corruption and other laws and regulations which apply to retailers generally and/or govern the import, promotion and sale of products and the operation of retail stores and distribution centres.
If any of these statutes, laws or regulations were to change, the Group is unable to predict the ultimate cost of compliance with these requirements or their effect on its operations. In particular, any change to consumer protection and/or product liability and health safety and/or environmental regulation could also reduce the rate at which the Group can develop and produce new products and services.
The Group may be required to make significant expenditures or modify its business practices in order to comply with amendments to existing laws and regulations and/or with future laws and regulations, which may increase its costs, limit its ability to operate its business and require investments in the research and development of new products or modifications of existing products.

Changes in regulation or standards could adversely affect the Group's business.
The Group's products are subject to a wide variety of statutory, regulatory and industry standards and requirements related to, among other items, energy and water efficiency, environmental emissions, labelling and safety. While the Group believes its products are currently efficient, safe and environmentally friendly, national and local governments are adopting laws, regulations and codes that will require a transition to non-fossil fuel based sources of energy production as well as significantly reducing or eliminating the on-site combustion of fossil fuels in the building sector, such as limiting or prohibiting the delivery of natural gas in new construction. A significant change in regulatory requirements that promote a transition to alternative energy sources, as a replacement for gas, or a significant shift in industry standards, could substantially increase manufacturing costs, impact the size and timing of demand for the Group's products, affect the types of products the Group is able to offer or put the Group at a competitive disadvantage, any of which could harm the Group's business

and have a material adverse effect on the Group's financial condition, results of operations and prospects.

The Group could become subject to liability for environmental law violations, regardless of whether it caused such violations.
The Group could become subject to liability in the form of fines, damages or remedial costs for non-compliance with environmental laws and regulations in the jurisdictions in which it operates and where its properties and premises are located. These laws and regulations generally govern wastewater discharges, air emissions, public nuisance, the operation and removal of underground and above-ground storage tanks, the use, conservation and protection of soil, the use, storage, treatment, transportation and disposal of solid hazardous materials, the remediation of contaminated property associated with the disposal of solid and hazardous materials and other health and safety-related concerns. Some of these laws and regulations may impose joint and several liabilities on tenants, owners or managers for the costs of investigation or remediation of contaminated properties, regardless of fault or the legality of the original disposal.
There can be no assurance that future laws, ordinances or regulations will not impose any material environmental liability, or that the environmental condition of the Group's properties and premises will not be affected by the operations of the tenants, by the existing condition of the land, by operations in the vicinity of the properties.

The Group may be unable to sufficiently protect the health and safety of its employees, in particular those located in its manufacturing facilities.
The Group is exposed to risks of insufficient protection of the health and safety of its workers, which may take the form of work-related accidents and illnesses.
Although the Group takes all measures required under applicable laws and regulations to monitor and manage such risks as effectively as possible, and conducts a systematic assessment aimed at eliminating hazards and reducing its specific risks, it cannot guarantee that all such risks have been entirely eliminated, or that accidents in its facilities will not occur.
The occurrence of workplace related accidents or illnesses could entail interruptions or delays in production, with immediate effects on the Group's ability to supply its products, and may expose the Group to lawsuits, reputational damage and increased costs and liabilities, which in turn could have a material adverse effect on the Group's business, results of operations, reputation, financial condition and prospects.

A failure to comply with data protection and privacy laws could harm the Group's reputation and give rise to fines.
The Group is subject to expansive regulations regarding the use of personal data. The Group collects and processes personal data (including name, address, age, bank and credit card details and other personal data) from its employees, customers and business partners as part of the operation of its business, and therefore it must comply with applicable data protection and privacy laws. These laws generally impose certain requirements on the Group in respect of the collection, retention, use and processing of such personal information. Failure to implement effective data collection controls could potentially lead to regulatory censure, fines, reputational and financial costs.

The Group seeks to ensure that procedures are in place to comply with relevant data protection regulations by its employees and any third-party suppliers and service providers, and also to implement security measures to help prevent cyber-theft. Notwithstanding such efforts, the Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of applicable data protection laws. In addition, the Group may not have appropriate controls in place currently and may be unable to invest on an ongoing basis to ensure such controls are up-to-date and keep pace with growing threats.
In particular, the Group is subject to the General Data Protection Regulation (EU) 2019/679 (the GDPR), which has been in effect since 25 May 2018.

The Group is subject to taxation in multiple jurisdictions which often requires subjective interpretation and determinations and could expand into jurisdictions with less favorable tax regimes. As a result, the Group could be subject to additional tax risks attributable to previous assessment periods or be subject to a higher effective tax rate in the future.
The Group is subject to many different forms of taxation including, but not limited to, corporation tax, withholding tax, value added tax, property tax and social security and other payroll related taxes, and has obligations to file tax returns and pay tax across several different jurisdictions. Tax law and administration is complex and often requires subjective interpretation and determinations. Although the Group considers itself in compliance with all relevant obligations, there is a risk that it may inadvertently fail to comply with applicable laws and regulations in any jurisdiction in which it does business. Additionally, tax authorities may not agree with the determinations that are made by the Group with respect to the application of tax law, leading to potentially lengthy and costly disputes which could potentially result in the payment of substantial amounts for tax, interest and penalties.
Tax laws and regulations are also complex and subject to varying interpretations, and the Company is subject to regular review and audit by tax authorities in jurisdictions around the world. Any adverse outcome of such a review or audit could have a negative impact on the Company's effective tax rate, tax payments, financial condition or results of operations. In addition, the determination of the Company's income tax provision and other tax liabilities requires significant judgement, and there are many transactions and calculations, including in respect of intragroup transactions, where the ultimate tax determination is uncertain. Although the Company believes that its estimates are reasonable, the ultimate tax determination may differ from the amounts recorded in the Company's financial statements and may materially affect the Company's results of operations in the period, or periods, for which such determination is made. Any significant failure to comply with applicable tax laws and regulations in all relevant jurisdictions could give rise to substantial penalties and liabilities.

The Group's products, services and know-how may not be fully protected by its intellectual property rights, which may be infringed or challenged by third parties, and the Group may infringe third parties' intellectual property rights or be faced with claims regarding infringement with regard to the use of intellectual property.
The Group owns several patents and other intellectual property that are significant to the Group's business. The granting of patents does not necessarily imply that they are effective or that potential patent claims can be enforced to the degree required or desired. Additionally, the patents the Group has applied for or intends to file for registration in connection with new technological developments

may not be granted in each of the countries where the Group considers this necessary or desirable. Third parties may infringe the Group's patents and/or intellectual property rights and the Group may, for legal or factual reasons, be unable to halt such infringements. Furthermore, if third parties challenge the Group's patent or applications for protection, the Group may be required, in order to obtain the intellectual property right sought, to make public disclosures potentially enabling competitors to patent corresponding technologies in other jurisdictions or to use the Group's know-how to develop competing devices. In addition, even where the Group is successful in obtaining intellectual property protection, such protection is usually limited in time. With respect to certain product areas, continuous further development of products and maintaining technical leadership is necessary to prevent competitors from copying the Group's products.
If the Group is unable to protect its intellectual property, the Group may not be able to profit from the advances in technology it has achieved, which could lead to a reduction in future results of operations. This could affect the Group's competitive position and any resulting reduction in revenues would have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

d) Financial Risks

Currency exchange rate fluctuations may have a significant impact on the Group's reported revenue, cash flows and earnings.
The Group operates globally, holding assets, earning revenues, incurring liabilities and paying expenses in various currencies other than the euro. The Group encounters currency transaction risk whenever one of its subsidiaries enters into a transaction using a currency different to its operating currency. The Group incurs the majority of its expenses in euro, while earning a significant portion of its revenues in currencies other than the euro.
In addition to transaction currency risk, changes in exchange rates affect the translation into euro of revenues, costs, assets and liabilities of subsidiaries that use a currency other than the euro as their functional currency. A depreciation of other currencies against the euro will mean that, despite constant sales volumes and nominally constant prices, the Group will, after translation into euro, generate lower revenue and profits for purposes of the Group's consolidated or combined financial statements. A number of the Group's subsidiaries report their results in currencies other than the euro, which requires the Group to convert the relevant items into euro when preparing its consolidated financial statements. Any increase (or decrease) in the value of the euro against any foreign currency that is the functional currency of any of the Group's operating subsidiaries will cause the Group to experience foreign currency translation losses (or gains, as the case may be). Translation risk generally is not hedged. In addition, changes in the exchange rate of foreign currencies may negatively influence the Group's sales volume as well as its profit margins.

The Group is exposed to credit risk in respect of its outstanding trade receivables.
Payment conditions, in particular due dates for payments by the Group's customers, vary depending on the type of transaction and business division. The Group records revenue and corresponding trade

receivables when products are delivered to customers, and with respect to certain products when customer acceptance occurs following delivery. Payments received prior to product delivery, or customer acceptance, as applicable, are generally recorded as unearned revenue.
The Group may experience low trade receivables turnover and payment delays by certain customers. The significant periods of time the Group's trade receivable would remain outstanding as a result may negatively impact the Group's cash flow and liquidity, and in turn affect the Group's business, results of operations, financial condition and prospects.

In carrying out its business, the Group is also exposed to various financial risks or risks similar to liquidity, foreign exchange, interest, commodities and credit.
The Group manages all risks of this nature through prepared functions and continuous supervision of the phenomena, with periodic mapping and reporting and with dedicated Committees to define the appropriate mitigation actions.

Enterprise Risk Management

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

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

The model integrated into the business processes is as much in line with the five references of the COSO principles (Governance & Culture, Strategy & objective setting, Performance, Review & revision and Information, communication & reporting), identifies and classifies the main risks on the basis of the strategic and operational objectives, defines the risk profile and defines an inherent communication process.

Risks are analyzed, determining the likelihood of their occurrence and their impact, in order to establish their priority and how they should be managed.
The risks are thus assessed in terms of inherent risk (risk in the absence of any intervention) and residual risk (risk after having implemented the interventions to reduce it). The management selects the responses to risk (avoiding it, reducing it, sharing or accepting it) by developing interventions to align the emerged risks with the levels of tolerance and acceptable risk (risk-appetite). The process is monitored, and modified where necessary, with interventions integrated into the normal corporate operational activity or in separate and specific assessments and audits, finally communicated to the organization and to the relevant corporate bodies.
The Group promotes the continuous improvement of risk management according to the evolution of strategies and information in the financial documents both of the main risks and uncertainties that

occurred during the year and of the impacts on the Company, as well as of the objectives and policies with respect to instruments for the management of financial risks (such as credits, liquidity, exchange rates, interest and commodities) and for the prevention of economic results.

TRANSACTIONS BETWEEN GROUP COMPANIES AND RELATED PARTIES

Transactions with subsidiaries, associated and related companies, as well as with the Parent Companies Merloni Holding Spa and Amaranta Srl, concern primarily business transactions and provision of services at market prices.
The main transactions with related parties concern Janus Immobili per l'Industria, consisting of rental charges for the logistic site of Borgo Tufico (Ancona). In date 29 July 2021 the site was acquired by Ariston Thermo Spa.
Disclosure notes and table is inserted into the Notes of Financial Statements.

TREASURY STOCKS AND INVESTMENTS IN CONTROLLING COMPANIES

At 30 September 2021 the Parent Companies Merloni Holding Spa and Amaranta Srl owned 88% and 12%, respectively.

OTHER INFORMATION

European Directives on the disposal of electrical and electronic equipment and on the use of polluting items

In 2002, the European Union introduced regulation 2002/96/EC regarding the disposal of electrical and electronic equipment (WEEE Directive) which sets forth, at the European level, the responsibility of the manufacturers as regards recovery, recycling and disposal of products at the end of their useful life.
Ecodom is the non-profit consortium formed in 2006 by Italy's foremost home appliances manufacturers to ensure collective compliance with regulatory obligations, and Ariston Thermo Spa is one of the organisation's founding members.
Ariston Thermo Spa, which has already complied with the European Directives, has long adopted product development and end-of-life management policies for EEE aimed at protecting the environment.
In 2014, the process of transposing Directive 2012/19/EU into Italian law was concluded by the publication of Legislative Decree 49 of 14 March 2014, "Implementation of Directive 2012/19/EU on electric and electronic device waste" which establishes, among its other provisions, ambitious new waste collection targets.
Starting from October 2020, the merger between Ecodom and Remedia gave birth to Erion, one of Italy's largest national consortia, which play a key role in the creation and development of the Italian Waste from Electrical and Electronic Equipment, Batteries, and Accumulators industry. Born from the experience of Ecodom and Remedia, Erion represents the strategic evolution of both entities in terms of operational structure, services for its members, and commitment to the environment, the circular economy, and technological research and development.
Erion is the first multi-consortium system that offers manufacturers an all-round service for managing waste from electronic products (domestic and professional WEEE), batteries, but also—and this is a

major addition—packaging. The Erion System is comprised of four non-profit consortia specialising in regulatory compliance services, with specific expertise in different types of waste that support Electrical and Electronic Equipment Manufacturers. The four consortia are Erion WEEE, Erion Professional, Erion Energy, and Erion Packaging. Ariston Thermo SpA is a founding member of Erion WEE and, as such, has a seat on the Board of Directors.
Erion provides waste management and regulatory compliance services to over 2,400 manufacturers of EEE, Batteries, and Accumulators across Italy.
In 2020, it handled 300,301 tonnes of waste, including 261,088 tonnes of domestic WEEE, 9,525 tonnes of professional waste, and 29,688 tonnes of waste from batteries and accumulators, carrying out 119,682 missions and generating € 82.3 million with an organisation of 48 employees.
Erion was born at a historic moment: the launch of Europe's strategic Green Deal, under which the EU is committed to achieving carbon neutrality by 2050 through sustainable economic growth decoupled from the use of natural resources. The goal is to accelerate Europe's transition towards a regenerative growth model that gives back the Planet more than it takes, reducing its consumption footprint, the massive production of waste, and the excessive use of virgin materials. The strategy hinges on gradually moving away from the traditional linear-economy paradigm of *take-make-dispose* that industries and consumers apply to resources and goods, respectively, and towards a true, strong circular economy. The stages for implementing this economic and cultural model are already set out in the New Circular Economy Action Plan, a manifesto in which the European Commission outlines measures aimed at raising public awareness about purchasing durable goods, making corporate production processes more sustainable, and ensuring the eco-design of products, including EEE, batteries, and packaging.
For the collection of Waste from Equipment, 2020 was a particular year, which however did not stop the collection of Waste from Domestic Electrical and Electronic Equipment, confirming the positive trend also for 2021. In fact, taking into account the data of the WEEE Coordination Centre which showed an increase of + 6.4% in the last part of 2020, the first half of 2021 is confirmed with a growth of 18%.
Since august of 2021 the total WEEE managed was equal to 173.633 tons, out of which 89.071 of (Iron), 22.614 (Plastic), 4.198 (Copper) and 3.543 (Aluminium) recycled materials bringing a benefit to the environment of 1.202.000 tons of CO_2 emissions avoided and 276.724,000 kWh of energy saved.
The quantities of products managed since July 2021 increased by 6,1% compared to the same period of the previous year, of which + 6,5% (R1 refrigerating appliances), + 9,4% (R2 Grouping of the Great Whites), + 4,2 % (R3 TV and monitor), -5,0% (R4 small appliances and consumer electronics) and + 27% (R5 light sources) even if in the latter case the quantities are very small.
The Grouping firm in first place in the ranking of the most collected WEEE is that of the Great Whites (R2) with 75.530 followed by refrigerating appliances (R1) 52.706.
The quantities managed by region from 1 January 2021 are geographically distributed with 51,9% for northern Italy with prevalence in Lombardy, Emilia Romagna and Veneto, with 21.0% for central Italy in particular with the regions of Lazio and Tuscany and with 27,1% for southern Italy mainly in Sicily and Campania.
On-time transports performed, providing service from Erion WEEE to the municipalities, measured according to the ANCI - CDC RAEE agreement, is confirmed at 99%, while the number of transports has increased by 9,3%.

Accounting and administrative audit of the Company

The Company maintains a one-tier board structure consisting of Executive Directors (uitvoerend bestuurders) and Non-Executive Directors (niet-uitvoerend bestuurders). The Executive Directors are responsible for the Company's day-to-day management, which includes, among other things, formulating its strategies and policies and setting and achieving its objectives. The Non-Executive Directors supervise and advise the Executive Directors.

At the date of this report, the provisions in Dutch law which are commonly referred to as the 'large company regime' (*structuurregime*) do not apply to the Company.

Accounting auditing has been assigned to the independent auditors EY for the years 2019, 2020 and, until June 2021 half year financial statements to EY.
EY NV will audit the 2021 separate and consolidated financial statements of Ariston Holding NV.
The Internal Auditor is responsible for administrative auditing, which consists of monitoring of compliance with the law and Articles of Association, the principles of sound management and the adequacy of the organisational, administrative and accounting structure.

Group's management and coordination activity

Ariston Holding NV, in its capacity as Parent Company, carries out the management and coordination activities of all the Group's companies.

28 October 2021

The Executive Chairman
of Ariston Holding NV

Paolo Merloni

This document has been digitally signed pursuant to Legislative Decree 85/2005 as subsequently amended and related regulations, and replaces the paper document with hand signature

ARISTON GROUP
INTERIM CONSOLIDATED INCOME STATEMENT
AS AT 30 SEPTEMBER 2021

(in thousand €)	notes	30/09/2021		30/09/2020	
REVENUE AND INCOME					
Revenue	1.1	1,412,294	100.0%	1,129,756	100.0%
Other revenues and income	1.1	24,129	1.7%	17,128	1.5%
Total Revenue and Income	1.1	**1,436,422**	**101.7%**	**1,146,884**	**101.5%**
OPERATING EXPENSES					
Change in inventories	1.2	-113,291	-8.0%	-33,428	-3.0%
Raw materials, consumables and goods for resale	1.2	721,604	51.1%	501,605	44.4%
Services	1.3	306,365	21.7%	226,915	20.1%
Personnel	1.4	307,586	21.8%	284,695	25.2%
Amortisation	2.1/2.2	56,228	4.0%	57,995	5.1%
Provisions	1.5	12,026	0.9%	12,481	1.1%
Write-downs		-49	0.0%	-37	0.0%
Other operating expenses	1.6	23,147	1.6%	21,430	1.9%
Total operating expenses		**1,313,616**	**93.0%**	**1,071,657**	**94.9%**
OPERATING PROFIT	**1.7**	**122,807**	**8.7%**	**75,227**	**6.7%**
FINANCIAL INCOME AND EXPENSE					
Financial Income	1.8	2,821	0.2%	2,379	0.2%
Financial Expense	1.9	-8,955	-0.6%	-12,767	-1.1%
Exchange rate gains/losses	1.10	1,336	0.1%	-2,165	-0.2%
Total financial Income and Expense		**-4,798**	**-0.3%**	**-12,553**	**-1.1%**
PROFIT (LOSS) ON INVESTMENTS					
Other profit (loss) on investments		-3,266	-0.2%	1,358	0.1%
Total profit (loss) on investments		**-3,266**	**-0.2%**	**1,358**	**0.1%**
PROFIT BEFORE TAX		**114,742**	**8.1%**	**64,032**	**5.7%**
TAXES	1.11	**1,736**	**0.1%**	**17,609**	**1.6%**
			1.5%		27.5%
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**113,006**	**8.0%**	**46,423**	**4.1%**
NET PROFIT/LOSS FOR THE PERIOD		**113,006**	**8.0%**	**46,423**	**4.1%**
Net profit/loss for the period attributable to non-controlling Interests		**-139**	**0.0%**		
Net profit/loss for the period attributable to equity holders of the Parent		**113,145**	**8.0%**	**46,423**	**4.1%**
Basic and diluted earnings per outstanding share		**0.38**		**0.15**	

ARISTON GROUP
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS AT 30 SEPTEMBER 2021

(in thousand €)	30/09/2021	31/12/2020	30/09/2020
NET PROFIT/LOSS FOR THE PERIOD	**113,006**	**96,687**	**46,423**
Items that will not be reclassified to the income statement			
Actuarial gains (losses) (*)	2,593	-1,933	-1,665
Sub-total of items that will not be reclassified to the income statement	***2,593***	***-1,933***	***-1,665***
Items that may be reclassified to the income statement			
Gains (losses) from the translation of financial statements	18,150	-40,221	-42,505
Net gains (losses) under cash flow hedge reserve (*)	-1,217	113	1,107
Sub-total of Items that may be reclassified to the income statement	***16,933***	***-40,108***	***-41,398***
Total other gains (losses) net of taxes	**19,526**	**-42,041**	**-43,063**
TOTAL PROFIT/LOSS FOR THE PERIOD	**132,532**	**54,646**	**3,360**
Attributable to:			
- Equity holders of the Parent	132,671	54,646	3,360
- Non-controlling Interests	-139	0	0

(*) Tax effect included

ARISTON GROUP
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

(in thousand €)	notes	30/09/2021	31/12/2020
Assets			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	2.1	291,048	285,737
Other intangible assets	2.1	106,100	105,698
Total intangible assets	2.1	397,148	391,435
Property, plant and equipment			
Land and buildings	2.2	152,846	147,135
Plant and machinery	2.2	99,239	106,756
Other property, plant and equipment	2.2	89,751	87,443
Total property, plant and equipment	2.2	341,836	341,333
Investments in associates & Joint ventures		2,654	0
Deferred tax assets	2.3	125,397	58,304
Financial assets		4,746	3,878
Non-current financial assets		0	5,127
Other non-current assets		8,376	7,795
Total non-current assets		**880,158**	**807,873**
CURRENT ASSETS			
Inventories	2.4	384,821	265,490
Trade receivables	2.5	227,571	227,766
Tax receivables		18,978	12,121
Current financial assets		11,700	10,000
Other current assets		52,413	37,087
Cash and cash equivalents		391,705	452,458
Total current assets		**1,087,188**	**1,004,922**
ASSETS HELD FOR SALE		**299**	**304**
TOTAL ASSETS		**1,967,645**	**1,813,099**

(in thousand €)	notes	30/09/2021	31/12/2020
LIABILITIES AND EQUITY			
TOTAL EQUITY			
Share capital	3.1	45,750	41,845
Share premium reserve	3.1	-	24,008
Retained earnings and other reserves	3.1	372,158	283,976
Profit/loss for the period attributable to equity holders of the Parent	3.1	113,145	96,687
Total equity attributable to equity holders of the Parent	3.1	**531,053**	**446,517**
Non-controlling interests and reserves		15	0
Profit/loss for the period attributable to non-controlling interests		-139	0
Total equity attributable to non-controlling interests		**-124**	**0**
Total equity	3.1	**530,929**	**446,517**
NON-CURRENT LIABILITIES			
Tax payables		6,507	0
Deferred tax liabilities	2.3	48,537	32,150
Non-current provisions	3.2	51,278	51,827
Net employee defined benefit liabilities		54,071	58,263
Non-current loans		440,416	389,874
Other non-current liabilities		10,904	40,278
Total non-current liabilities		**611,713**	**572,392**
CURRENT LIABILITIES			
Trade payables	3.3	430,642	364,061
Tax payables		45,019	21,640
Current provisions	3.2	35,823	31,276
Current financial liabilities		81,691	33,337
Current loans		20,129	188,009
Other current liabilities	3.4	211,698	155,868
Total current liabilities		**825,002**	**794,191**
LIABILITIES HELD FOR SALE		**0**	**0**
TOTAL LIABILITIES AND EQUITY		**1,967,645**	**1,813,099**

ARISTON GROUP
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30 SEPTEMBER 2021

(in thousand €)		30/09/2021	30/09/2020
CHANGES IN CASH AND CASH EQUIVALENTS			
- CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**430,714**	**295,786**
Effect of changes in exchange rates		10,802	-14,120
Changes in short-term financial position		-76,379	313,686
- CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**365,137**	**595,352**
STATEMENT OF CASH FLOWS			
CASH FLOW FROM OPERATING ACTIVITIES			
> *NET PROFIT/LOSS FOR THE PERIOD*		113,006	46,423
Adjustments for:			
- *Taxes*		1,736	17,609
- *Income and expense from financing and investment activities*		8,064	11,195
1 - **OPERATING PROFIT**		**122,807**	**75,227**
2 - Amortisation		56,228	57,995
of which: Amortisation for right-of-use fixed assets		*15,551*	*17,527*
3 - Provisions		12,026	12,481
4 - Other adjustments		-905	-121
5 = **GROSS OPERATING CASH FLOW**	(+1+2+3+4)	**190,156**	**145,582**
6 - Change in trade receivables		994	18,153
7 - Change in inventories		-113,290	-33,531
8 - Change in trade payables		61,083	-33,046
9 - Change in other short-term assets/liabilities		-2,034	17,658
10 - Change in provisions		-7,826	-6,290
11 - Tax paid		-26,996	-16,088
12 = **NET OPERATING CASH FLOW**	(+5+6+7+8+9+10+11)	**102,087**	**92,438**
CASH FLOW FROM INVESTMENT ACTIVITIES			
13 - Investments in intangible assets		-9,378	-7,860
14 - Investments in property, plant and equipment		-29,414	-9,811
15 - Investments in financial assets		-4,706	-26,208
16 - Change in the scope of consolidation		0	222
17 - Value of tangible and intangible assets sold		1,360	2,865
18 = **CASH FLOW FROM INVESTMENT ACTIVITIES**	(+13+14+15+16+17)	**-42,138**	**-40,792**
CASH FLOW FROM FINANCING ACTIVITIES			
19 - Financial income/expense collected/paid		-1,825	-4,838
of which: Financial expense pursuant to IFRS16		*-803*	*-1,239*
20 - Income/expense on exchange rate realized		-4,299	-1,884
21 - Increase/decrease in short-term financial payables		40,299	149,137
22 - New loans		202,501	170,011
23 - Loans repayment		-324,737	-18,452
24 - Dividends		-48,267	-28,416
25 - Capital and reserves increase/distribution		0	0
26 - Other changes		0	-3,516
27 - Buyback/sale of treasury shares		0	0
28 = **CASH FLOW FROM FINANCING ACTIVITIES**	(19+ / +27)	**-136,328**	**262,040**
29 = **CASH FLOW FROM CONTINUING OPERATIONS**	(12+18+28)	**-76,379**	**313,686**
30 = **CASH FLOW FROM DISCONTINUED OPERATIONS**		**0**	**0**
31 = **TOTAL CASH FLOW**	(29+30)	**-76,379**	**313,686**

ARISTON GROUP
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 SEPTEMBER 2021

CHANGES IN EQUITY *(in thousand €)*	Share capital	Treasury shares	Share premium reserve	Legal reserve	Reserve for gains/losses in equity	Actuarial gains (losses)	Retained earnings (losses) and other reserves	Profit/ loss for the year	Total attributable to the Group	Total attributable to non controlling interest	Total net equity
Balances as at 31 December 2020	**41,845**	**-13,452**	**-82,289**	**8,369**	**-1,131**	**-30,531**	**427,019**	**96,687**	**446,517**	**0**	**446,517**
Consolidated profit allocation							96,687	-96,687	0	0	0
Payment of dividends							-48,268		-48,268	0	-48,268
Other changes	3,905	13,452	82,289	-8,369			-91,145		133	15	148
Comprehensive income (loss)					-1,217	2,593	18,150	113,145	132,671	-139	132,532
Balances as at 30 September 2021	**45,750**	**0**	**0**	**0**	**-2,348**	**-27,938**	**402,443**	**113,145**	**531,053**	**-124**	**530,929**

"Other changes" is related to the extraordinary operation (reverse merger) of Ariston Thermo Holding Spa / Ariston Thermo Internation Srl effective from 1 January 2021 in which the result is the combined effect of capital increases and the annulment of own shares that in opening balances are shown with negative sign

CHANGES IN EQUITY *(in thousand €)*	Share capital	Treasury shares	Share premium reserve	Legal reserve	Reserve for gains/losses in equity	Actuarial gains (losses)	Retained earnings (losses) and other reserves	Profit/ loss for the year	Total attributable to the Group	Total attributable to non controlling interest	Total net equity
Balances as at 31 December 2019	**41,845**	**-13,452**	**-82,289**	**8,369**	**-1,244**	**-28,598**	**508,835**	**89,017**	**522,483**	**0**	**522,483**
Consolidated profit allocation							89,017	-89,017	0	0	0
Payment of dividends							-28,416		-28,416	0	-28,416
Other changes							-146		-146	0	-146
Comprehensive income (loss)					1,107	-1,665	-42,505	46,423	3,360	0	3,360
Risultato netto d' esercizio									0	0	0
Balances as at 30 September 2020	**41,845**	**-13,452**	**-82,289**	**8,369**	**-137**	**-30,263**	**526,785**	**46,423**	**497,281**	**0**	**497,281**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- at 30 September 2021 -

INTRODUCTION

During the reporting period Ariston Holding NV ownership structure is as follow: Merloni Holding SpA owns 88%, Amaranta Srl owns 12%.

Last year, in October 2020, as part of a process to reorganise and streamline the Group's corporate structure by turning the Parent Company into a holding company that exclusively manages and coordinates its investees, it was executed the operational and industrial business unit transfer previously under the ownership of the Parent Company, Ariston Thermo Holding Spa, into a new entity, wholly owned by the transferor, named Ariston Thermo SpA.

After such a step, during this reporting period, within the broader corporate reorganization of the Ariston Group, aiming to transform Ariston Thermo Holding Spa in a company managing equity investments, it was proceeded with the merger of the company Ariston Thermo Holding Spa in the wholly owned subsidiary Ariston Thermo International Srl, that, contextually, became a Spa company.
As a result, the totality of the assets of the former - represented by equity investments in subsidiaries – were included in the assets of the acquirer which, effective from the merger deed, 1 June, renamed itself in Ariston Thermo Holding Spa.
The operation aims to strengthen, within the Group, the role of holding company and furtherly simplify the corporate organization, eliminating the role of sub-holding currently performed by Ariston Thermo International Srl which was no longer needed, keeping unaltered accounting balances, the control and governance.

After the merger completion, the last step of the reorganization took shape.
Ariston Thermo Holding Spa was then re-domiciliated in The Netherlands as Ariston Thermo Holding NV, changing its Articles of Association and establishing its registered office in Amsterdam, effective date the 15 of June. The 16th of September the company changed its name in Ariston Holding NV.
The Company (hereafter also the "Parent Company") is a Public Limited Liability Company incorporated in The Netherlands and enrolled in the Chamber of Commerce - KVK - of Amsterdam (CCI no.83078738, RSIN no. 862717589, Establishment no. 000049275437, VAT Code: 01527100422, Fiscal Code 00760810572), with a secondary office in Via Broletto 44, Milano I-20121.
The Parent Company is having as primarily business the financial holdings activities meanwhile its subsidiaries (hereinafter the "subsidiaries") and jointly with the Parent Company ("Group") are primarily active in the business of the production and distribution of water and space heating and service solutions.

Here below are the main accounting and measurement criteria applied to the preparation of the interim consolidated financial statements. The standards adopted are compliant with those applied to the preparation of the comparative statements of equity and financial position.

The interim consolidated financial statements comprise the following: statement of financial position, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity (in thousand euro) and these notes to the financial statements.
It should also be noted that the model adopted for the statement of financial position contains a “current/non-current item” breakdown, whereas the model adopted for the income statement classifies costs “by type”.

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

These financial statements have been prepared in euro, the currency used in most of the Group’s transactions. Transactions with foreign companies are included in the interim consolidated financial statements in compliance with the standards hereunder described.
The interim consolidated financial statements at 30 September 2021 have been approved by the Board of Directors on 28 October 2021 and subjected to limited review by EY.

COMPLIANCE WITH ACCOUNTING STANDARDS

The interim consolidated financial statements at and for the nine-month period ended on September 30, 2021 (the “Interim Consolidated Financial Statements”) included in this Interim Report have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and in accordance with IFRS as endorsed by the European Union, and in particular, in compliance with IAS 34 - Interim Financial Reporting. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2020 and as at 30 June 2021.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.
Several amendments apply for the first time in 2021, but do not have an impact on the interim consolidated financial statements of the Group.

SCOPE OF CONSOLIDATION

The interim consolidated financial statements reflect the financial position and economic result of the Parent Company and of its subsidiaries, both directly and indirectly controlled. In particular, the consolidated entities are those under the control of Ariston Holding NV either through a direct or indirect equity ownership, with the majority of voting rights at shareholders’ meeting, or through the exercise of a dominant influence over the financial and operating policies of the companies/entities, thus obtaining the related benefits, even without regard to equity ownership. Entities are not consolidated if their consolidation, given their operations (e.g., companies that are not yet or no longer operative, or expected to become operative, and companies that have nearly completed the liquidation process), would be quantitatively and qualitatively immaterial in terms of a correct presentation of the Group's financial position and economic result for the year. The exclusion from the consolidation of some subsidiaries, which are not significant either individually or considered together, did not entail a material impact for the purposes of the correct representation of the Group's equity, income and financial situation (in accordance with the provisions of the Framework of the international accounting standards as so defined by IAS 1 – IAS 8).

All subsidiaries are consolidated from the date when the Group acquired their control. The entities are excluded from the consolidation area from the date when the Group ceases or lose the control them. The consolidation, prepared on a line-by-line basis, was carried out using, for all subsidiaries, a specific reporting package, written based on the IFRS standards adopted by the Group, reclassifying and/or rectifying the accounting data approved by the corporate bodies of the respective companies.

Compared to 31 December 2020, the scope of consolidation is changed due to the following transactions:

- In February 2021, Ingrado Srl was incorporated, fully owned by Ariston Holding NV. The company covers the On line sales channel. No material impact in the interim consolidated financial statements is brought by the newly established company.

- In June 2021, the parent company Ariston Thermo Holding Spa merged by incorporation into the wholly-owned subsidiary Ariston Thermo International Srl that contextually was re-nominated as Spa company and taking the same name as the incorporated company. This operation was part of a broader corporate reorganization, consisting on the shaping of Ariston Thermo Holding in a company exclusively engaged in the management of equity investments.

- In June 2021, ATAG Heating BV acquired the 24,5% of Haas Heating BV. Purchase price and earn out program is defined as euro 2,6 million. The company is defined as under significant Group influence and is therefore treated as a joint venture, thus valuing the participation with the equity method.

- In August 2021, the Italian subsidiary Marchi e Brevetti Srl merged by incorporation into Ariston Thermo Spa with retroactive accounting effects as of 1 January 2021.

NOTES TO THE FINANCIAL STATEMENTS

INCOME STATEMENT

NOTE 1.1 – REVENUE AND INCOME

During 2021, the Group recorded revenue of € 1,412,294 thousand, compared to € 1,129,756 thousand in the previous year, with an increase of € 283 million (+25.0%).

The increase in sales is fully organic, where no variation within the scope of consolidation are reported, and negatively affected by exchange rates, which amounted to a negative € 16.9 million (-1.5%) compared to previous year.

The Revenue item can be broken down as follows:

REVENUE AND INCOME *(in thousand euro)*	**30/09/2021**	**30/09/2020**
Revenues from sales	1,306,753	1,028,966
Revenues from services	96,719	95,074
Other revenues	8,821	5,716
Total	**1,412,294**	**1,129,756**
Other operating income	24,129	17,128
Total revenue and income	**1,436,422**	**1,146,884**

The overall IFRS15 revenue effect in the components of Rights of return, Service type, Payable to customers and cash discount is, for September 2021, € 14.7 million and for September 2020 € 12.8 million.

"Other operating income" totalled € 24,129 thousand at 30 September 2021 and € 17,128 thousand at 30 September 2020: in accordance with IAS 37 par. 59 the Group reclassified the item related to the reversal of provisions, totalling € 1,697 thousand into the notes 1.5 - "Provisions" and 1.4 – "Personnel costs", in order to make the balance comparable between 2021 and 2020.
"Other operating income" is represented by items that do not directly refer to the production activities of the Group, but are all the same connected to the core business.
They include, mainly, extraordinary income related to no longer due obligations; the gains on the disposal of fixed assets and other income.
At 30 September 2021, they totalled € 24,129 thousand, an increase of € 7,001 thousand compared to the same period of previous year, mainly due to contingency gains and Ecobonus accounting mechanism (€ 6.1 million).

Segment information

As per IFRS 8 par.12, after a qualitative assessment carried out by the Group, was decided to group the 3 business division in a unique segment of reporting.

Seasonality of operations

The segment includes the division Thermal Comfort, Burners and Components. It is affected by seasonality among first and second half of the year, where in the latter, the fourth quarter is usually the strongest one, being driven by winter season and its low climate temperatures where the demand of products portfolio increase.

NOTE 1.2 – RAW MATERIALS, CONSUMABLES AND GOODS FOR RESALE

At 30 September 2021, the "Purchase cost of raw materials, consumables and goods for resale" amounted to € 721,604 thousand, increased by € 219,999 thousand compared with the same period of the previous year.
The trend in purchases and the change in inventories highlight an increase in the average percentage of raw materials consumed to revenue, a percentage which, from 41.4% in September 2020, to 43.1%, largely due to a significant increase in prices, starting from first quarter 2021, for the most relevant raw materials (steel, copper, polypropylene) used up by Ariston Group.

NOTE 1.3 - SERVICES

"Costs for services" amounted to € 306,365 thousand versus € 226,915 thousand at September 2020, increased by € 79,450 thousand, driven by volume.

The generalised contraction and optimisation in costs carried out during 2020, related to Covid-19 pandemic came to an end from first quarter, consequently, in the first nine months of 2021 the Group's ongoing growth in the various sectors of Climate Solutions impacted the variable costs connected to sales and production, with an increase mainly in "Logistic and transport" (both effect volume and prices), "Sub-contracted work" (due to higher volumes manufactured) and "Bonuses and commissions".
The increase in "Consulting services" was mainly due to the end of the generalised contraction in costs inducted by the Covid-19 pandemic and to the Ecobonus accounting mechanism.

NOTE 1.4 - PERSONNEL COSTS

In September 2021, "Personnel costs" amounted to € 307,586 thousand, increased by € 22,891 thousand compared with the same period of the previous year.

"Personnel costs" totalled € 307,586 thousand at 30 September 2021 and € 284,695 thousand at 30 September 2020: in accordance with IAS 37 (paragraph 59), the Group reclassified the item relating to the reversal of provisions, totalling € -18 thousand, out of the note 1.1 - "Revenue and income", in order to make the balance comparable between 2021 and 2020.
The aggregate rose by € 22,891 thousand compared to the same period of the previous year, due to the normal trend of salary inflation (fixed and variable components, including long-term incentive plans) in the various countries where the Group operates, also following the organisational changes.

At 30 September 2021, the Group's workforce is 7,692 versus the December 2020 7,519 and 7,384 of September 2020.

NOTE 1.5 - PROVISIONS

During the first nine months of 2021, “Provisions” were recognised for € 12,026 thousand versus € 12,481 thousand in the same period of 2020. In detail as follow:

PROVISIONS *(in thousand euro)*	**30/09/2021**	**30/09/2020**
Bad debt provision	1,027	1,093
Product warranty provision	7,009	5,421
Provision for installation	1,701	2,126
Provision for legal disputes	-106	494
Provision for restructuring	2,978	2,587
Other provisions	-583	760
Total	**12,026**	**12,481**

In accordance with IAS 37 (paragraph 59), the Group reclassified the item relating to the reversal of provisions, totalling € 1,715 thousand, out of the note 1.1 - “Revenue and income”, in order to make the balance comparable between 2021 and 2020.

The total amount is decreasing compared to the same period of the previous year and the composition changed; higher “Product warranty provision” and less “Provision for legal disputes” and “Other provisions”.

NOTE 1.6 - OTHER OPERATING EXPENSES

“Other operating expenses” amounted to € 23,147 thousand, versus € 21,430 thousand of the same period of the previous year, and can be detailed as follows:

OTHER OPERATING EXPENSES *(in thousand euro)*	**30/09/2021**	**30/09/2020**
Non-income tax and taxes	5,310	4,129
Losses on receivables	945	604
Office supplies and printing	1,392	1,211
Concession rights and other	2,268	2,750
Subsidies and contributions	457	630
Other	12,776	12,107
Total	**23,147**	**21,430**

This item includes all ordinary operating expenses that cannot be recognised under other items. Other operating expenses rose by € 1,717 thousand compared with same period of previous year, mostly due to an increase on the non-periodic losses (September 2021 € 5.5 million and September 2020 € 4.3 million).

NOTE 1.7 – OPERATING PROFIT

In September 2021 “Operating profit”, amounted to € 122,807 thousand compared to €75,277 thousand as of September 2020. The bold increase is explained by the above detailed variances.

NOTE 1.8 - FINANCIAL INCOME

“Financial income” had a balance of € 2,821 thousand at the end of the period, up compared to the value of € 2,379 thousand at 30 September 2020. The item can be detailed as follows:

FINANCIAL INCOME *(in thousand euro)*	30/09/2021	30/09/2020
Interest income on bank current accounts	1,244	1,326
Interest income and discounts received on payments	54	51
Financial income on provisions for employee benefits	203	931
Other financial income	1,320	70
Total	**2,821**	**2,379**

The year-on-year change was largely attributable to the item “Other financial income” increased of € 1,250 thousand from 30 September 2020, largely due to the impact of Ecobonus, the State aid for restoration Italy, of which the company started to participate on December 2020.
“Interest income on bank current accounts” was down and largely referred to the Vietnamese and South African subsidiaries as a result of the decline in interest rates and available cash. “Financial income on provisions for employee benefits” reduced as a result of the change in the average actuarial rate as per IAS 19 of the Swiss company.
The other items making up the total were largely unchanged.

NOTE 1.9 - FINANCIAL EXPENSE

This item shows a balance of € 8,955 thousand versus a balance of € 12,767 thousand at 30 September 2020. The item can be detailed as follows:

FINANCIAL EXPENSE *(in thousand euro)*	30/09/2021	30/09/2020
Interest expense on MLT bank loans	4,008	6,054
Interest expense on ST bank loans	278	516
Interests on financial leasing	803	1,239
Financial expense on provisions for employee benefits	499	1,427
Other financial expense	3,368	3,532
Total	**8,955**	**12,767**

Compared to the previous year, “Financial Expenses” was decreased of € 3,812 thousand, mostly due to the item “Interest expense on MLT bank loans” because of the decreased draw-down on revolving lines of credit.
The decrease in “Financial expense on provisions for employee benefits” is the result of the change in the average actuarial rate as per IAS 19 of the Swiss associate and “Other financial expense”, largely attributable to the reduction in interest on discounting from the fair value measurement of the obligations associated with the acquisitions made in previous periods, under which put and call options are to be exercised in the future to obtain total control.

NOTE 1.10 - EXCHANGE RATE GAINS/LOSSES

"Exchange rate gains/losses" show an overall positive balance of € 1,336 thousand, which can be broken down as follows:

EXCHANGE RATE GAINS/LOSSES *(in thousand euro)*	30/09/2021	30/09/2020
Exchange rate gains	12,739	16,238
Exchange rate losses	-17,038	-18,122
Unrealised exchange rate gains	7,946	9,344
Unrealised exchange rate losses	-2,311	-9,625
Total	**1,336**	**-2,165**

"Exchange rate gains and losses" include the monetary changes on the accounting entries that were realised at the end of the reporting period; "Unrealised exchange rate gains and losses" include the monetary changes that are not yet realised because they refer to transactions that were not closed at the end of the reporting period.

The result for the period relating to realised and unrealised exchange differences was mostly positively affected by revaluation in the US dollar and Russian ruble against Euro and US dollar.

NOTE 1.11 – TAXES

The taxes recognised in the consolidated income statement, compared with the profit before tax, are the following:

TAXES *(in thousand euro)*	30/09/2021	30/09/2020	Delta
Profit before taxes	**114,742**	**64,032**	**50,710**
Current taxes	51,611	22,943	28,668
Deferred taxes	-49,875	-5,334	-44,541
Total taxes	**1,736**	**17,609**	**-15,873**

Current and deferred taxes booked for the nine months ended September 30, 2021 and 2020 are € 1,736 thousand and € 17,609 thousand respectively.

The increase in current taxes for the nine months ended September 30, 2021 in respect to 2020 equal to 28,668 thousand euro is mainly due to:

(i) the 3% withholding tax due to the revaluation of tangible and intangible assets carried out in Italy for statutory and tax purposes pursuant to art. 110 of the Law Decree n. 104/2020, converted in the Law n. 126/2020 equal to € 19,452 thousand, and

(ii) the increase of profit before taxes in the various jurisdiction in which the Group operates.

The increase of the deferred tax assets for the nine months ended September 30, 2021 in respect to 2020 is equal to € 44,541 thousand and it is mainly due to the revaluation of tangible and intangible assets carried out in Italy for statutory and tax purposes pursuant to art. 110 of Law

Decree n. 104/2020, converted in the Law n. 126/2020 and not recognized in the IFRS financial statement. The revaluation and its related tax effects mainly deriving from the change of the dividend policy had a net impact on deferred taxes equal to € 40,305 thousand for the first nine month ended September 2021.

The reconciliation of the differences between the theoretical income taxes at the parent statutory rate (24%) and the total income taxes is as follows:

EFFECTIVE TAX RATE RECONCILIATION *(in thousand euro)*	**30/09/2021**	**%**
Taxes at nominal Tax Rate	**27,538**	**24.0%**
Revaluation effect on September 30	-30,685	-26.7%
IRAP	4,060	3.5%
Tax benefit recorded in Italy	-1,453	-1.3%
Foreign income taxed at different rates	-1,221	-1.1%
Deferred taxes not recognized	2,138	1.9%
Other	1,360	1.2%
Effective Taxes	**1,736**	**1.5%**

STATEMENT OF FINANCIAL POSITION - ASSETS

NOTE 2.1 - INTANGIBLE ASSETS

At 30 September 2021, "Intangible assets" amounted to € 397,148 thousand, increased by a net amount of € 5,713 thousand compared to 31 December 2020, net of the amortisation expense for the period of € 13,377 thousand, in addition to other changes.

The amortisation expense for the period is recognised under the appropriate item in the income statement.

Details of and changes in intangible assets are the following:

INTANGIBLE ASSETS	GOODWILL	OTHER INT. ASSETS			TOTAL		
(in thousand euro)	NET VALUE	GROSS	PROV.	NET	GROSS	PROV.	NET
As at 31.12.2020	**285.737**	**197.575**	**-91.877**	**105.698**	**483.313**	**-91.877**	**391.435**
Increases	0	9.378	0	9.378	9.378	0	9.378
Decreases	0	0	0	0	0	0	0
Revaluations/Write-downs	-1.049	0	0	0	0	-1.049	-1.049
Amortisation	0	0	-13.377	-13.377	0	-13.377	-13.377
Exchange rate effect	6.302	1.671	-849	822	7.973	-849	7.124
Other	60	981	2.598	3.579	1.040	2.598	3.639
Total changes	**5.311**	**12.029**	**-11.628**	**401**	**18.390**	**-12.677**	**5.713**
As at 30.09.2021	**291.048**	**209.604**	**-103.505**	**106.100**	**501.703**	**-104.554**	**397.148**

The net total amount of the goodwill was € 291,048 thousand, versus € 285,737 thousand at 2020 year-end, and shows a change largely due to the changes in exchange rates, positive for € 6,302 thousand.
The total amount of goodwill recognised in the statement of financial position is not amortised, but is subject at least annually to an impairment test (together with the other intangible and tangible assets) to assess its recoverability, as envisaged by IAS 36.
Therefore, the goodwill has been allocated to the cash generating units (CGU) from which future economic benefits related to the acquisition are expected.

Impairment test

In compliance with IAS 38 and IAS 36 at least on a yearly basis the Group verifies the recoverable value of intangible assets with indefinite life, the values were tested at aggregate level based on the values allocated to the three cash-generating units (CGUs), identified as the lowest level at which the Goodwill is monitored by the Group and is considered appropriate, given the synergies and efficiencies obtained.
The reference CGUs are the three divisions within a unique segment unit of reporting: Thermal Comfort (TC), Burners (BUR), and Components (COM).

The financial and economic situation as of September 2021 does not require an update of the impairment test that had been performed in the consolidated financial statements dated 30 June 2021. In the meantime, no relevant events had been occurred that could require its re-performing. The cash and economics prospectives are then positively confirmed.

The item “Other intangible assets” can be detailed as follows:

OTHER INTANGIBLE ASSETS *(in thousand euro)*	30/09/2021	31/12/2020
Concessions, licenses, trademarks	43,713	40,127
Development costs	18,112	20,515
Software	15,604	19,333
Intangible assets in progress	14,646	12,233
Other	14,024	13,491
Total	**106,100**	**105,698**

Details of and changes in “other intangible assets” are the following:

OTHER INTANGIBLE ASSETS	DEVELOPMENT COSTS			SOFTWARE			OTHER INTANGIBLE ASSETS			TOTAL		
(in thousand euro)	GROSS	PROV.	NET	GROSS	PROV.	NET	GROSS	PROV.	NET	GROSS	PROV.	NET
As at 31.12.2020	69.195	-48.679	20.515	49.170	-29.837	19.333	79.210	-13.360	65.850	197.575	-91.877	105.698
Increases	1.529	0	1.529	960	0	960	6.889	0	6.889	9.378	0	9.378
Decreases	0	0	0	0	0	0	0	0	0	0	0	0
Revaluations/Write-downs	0	0	0	0	0	0	0	0	0	0	0	0
Amortisation	0	-5.800	-5.800	0	-4.539	-4.539	0	-3.038	-3.038	0	-13.377	-13.377
Exchange rate effect	335	-268	67	520	-380	140	815	-201	615	1.671	-849	822
Other	360	1.440	1.801	-1.391	1.102	-290	2.012	56	2.068	981	2.598	3.579
Total changes	**2.225**	**-4.628**	**-2.404**	**89**	**-3.818**	**-3.729**	**9.716**	**-3.182**	**6.534**	**12.029**	**-11.628**	**401**
As at 30.09.2021	71.420	-53.308	18.112	49.259	-33.655	15.604	88.926	-16.542	72.384	209.604	-103.505	106.100

Since the trademark has an indefinite useful life, it is subject to impairment test.

The change in “Other intangible assets” from the start of the period amounted to € 401 thousand and was due to the amortisation expense for the period amounted to €13,377 offset by € 9,378 thousand in investments and € 3,579 thousand as exchange rate effect for the period.
The other intangible assets have a definite useful life and are consequently amortised as necessary.

Development costs refer to products for which the return on investments occurs within a five-year period, on average.

NOTE 2.2 - PROPERTY, PLANT AND EQUIPMENT

At 30 September 2021, “Property, plant and equipment” amounted to € 341,836 thousand, up by a net amount of € 503 thousand compared to 31 December 2020.
The depreciation expense for the period is recognised under the appropriate item in the income statement and amounted to € 42,851 thousand.

Details of and changes in property, plant and equipment are the following:

PROPERTY, PLANT AND EQUIPMENT *(in thousand euro)*	LAND AND BUILDINGS			PLANT AND MACHINERY			OTHER PROPERTY, PLANT AND EQUIPMENT			TOTAL		
	GROSS	PROV.	NET	GROSS	PROV.	NET	GROSS	PROV.	NET	GROSS	PROV.	NET
As at 31.12.2020	289.959	-142.824	147.135	399.300	-292.544	106.756	304.567	-217.125	87.443	993.824	-652.491	341.333
Increases	16.177	0	16.177	4.259	0	4.259	19.238	0	19.238	39.674	0	39.674
of which for right of use	*7.964*	*0*	*7.964*	*171*	*0*	*171*	*2.035*	*0*	*2.035*	*10.170*	*0*	*10.170*
Decreases	-873	0	-873	-196	0	-196	-359	0	-359	-1.428	0	-1.428
Revaluations/Write-downs	0	0	0	0	49	49	0	0	0	0	49	49
Depreciation	0	-13.256	-13.256	0	-11.883	-11.883	0	-17.712	-17.712	0	-42.851	-42.851
of which for right of use	*0*	*-8.673*	*-8.673*	*0*	*-250*	*-250*	*0*	*-6.629*	*-6.629*	*0*	*-15.551*	*-15.551*
Exchange rate effect	4.610	-2.232	2.378	6.679	-5.078	1.601	3.279	-2.196	1.083	14.568	-9.506	5.062
Other	-4.191	5.478	1.287	-9.523	8.176	-1.347	1.654	-1.597	57	-12.061	12.057	-3
Total changes	**15.723**	**-10.011**	**5.712**	**1.218**	**-8.735**	**-7.516**	**23.813**	**-21.504**	**2.308**	**40.753**	**-40.250**	**503**
As at 30.09.2021	305.682	-152.835	152.846	400.518	-301.279	99.239	328.380	-238.629	89.751	1.034.577	-692.741	341.836

The increase was the combined effects of the depreciation expense for the period, totalling € 42,851 thousand, fully offset by € 39,674 thousand in investments and by € 5,062 thousand in revaluation of the assets held by foreign subsidiaries into euro.

In accordance with the standard IFRS 16, below are the carrying amounts of right-of-use assets and the relevant changes during the period:

RIGHT-OF-USE ASSETS *(in thousand €)*	Land and buildings			Plant and machinery			Other property plant and equipment			Total		
	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net	Gross	Prov.	Net
As at 31.12.2020	65,413	-30,743	34,670	1,875	-403	1,472	41,635	-24,306	17,329	108,922	-55,452	53,472
Increases	7,964	0	7,964	171	0	171	2,035	0	2,035	10,170	0	10,170
Decreases	0	0	0	0	0	0	-358	0	-358	-358	0	-358
Revaluations/Write-downs	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation	0	-8,673	-8,673	0	-250	-250	0	-6,629	-6,629	0	-15,551	-15,551
Exchange rate effect	1,178	-578	601	1	0	1	112	-79	33	1,291	-656	635
Other	-1,658	1,705	47	-23	22	-1	6,987	-2,086	4,901	5,306	-358	4,947
Total changes	**7,484**	**-7,545**	**-61**	**148**	**-228**	**-79**	**8,776**	**-8,793**	**-17**	**16,408**	**-16,565**	**-157**
As at 30.09.2021	72,897	-38,288	34,609	2,023	-631	1,392	50,410	-33,099	17,312	125,331	-72,017	53,314

The item "Other property, plant and equipment "amounted to € 89,751 thousand, up by € 2,308 thousand compared with 31 December 2020.

The breakdown is detailed below:

OTHER PROPERTY, PLANT AND EQUIPMENT *(in thousand euro)*	30/09/2021	31/12/2020
Industrial and commercial equipment	43,817	39,595
Vehicles & transportation equipment	13,083	17,542
Furniture and office equipment	3,091	3,259
EDP machinery	3,032	3,413
Assets under construction	22,494	19,101
Other property, plant and equipment	4,233	4,533
Total	**89,751**	**87,443**

NOTE 2.3 – DEFERRED TAX ASSETS AND LIABILITIES

The components of net deferred tax assets at September 30, 2021 and December 31, 2020 are as follows:

DEFERRED TAX ASSETS *(in thousand euro)*	**30/09/2021**	**31/12/2020**
Trade & Patents	35,407	-
R&D | Software	10,985	-
Tangible Fixed Assets	17,418	1,192
Provisions for Warranties	5,563	5,698
Provisions for other risk and charges	15,952	12,694
LTI and others employees benefits	9,693	9,281
Inventory write-off	2,365	1,708
Losses	6,256	6,190
Other	21,759	21,540
TOTAL	125,397	58,304

DEFERRED TAX LIABILITIES *(in thousand euro)*	**30/09/2021**	**31/12/2020**
Provision for warranties	1,152	1,085
Provision for other risks and charges	3,343	3,168
LTI and Others employees benefits	1,849	1,578
Tangible Fixed Assets	10,420	7,793
Exchange gains and losses	1,114	0
M&A	4,847	4,705
Other	25,811	13,820
TOTAL	48,535	32,150

The decision to recognize deferred tax assets is made for each legal entity in the Group by critically assessing whether the conditions exist for the future recoverability of such assets on the basis of actual results, as well as updated plans.

NOTE 2.4 – INVENTORIES

Following is the composition of "Inventories" at 30 September 2021 and at 31 December 2020, net of the obsolete stock provision.

INVENTORIES *(in thousand euro)*	**30/09/2021**	**31/12/2020**
Raw materials	118,499	77,534
Work in progress and semi-finished goods	14,150	9,936
Finished goods and goods for resale	252,172	178,020
Total	**384,821**	**265,490**

Gross value of inventories, at 30 September 2021, amounted to € 423,425 thousand (€ 302,979 thousand at 31 December 2020), whereas the provision amounted to € 38,604 thousand (€ 37,489 thousand at 31 December 2020).
The stock increase is mainly caused by sales increase and the seasonality. Any year the level of stock at the end of September is higher than the year end one due to the stocking phase before autumn winter seasons.
On top on this, raw materials weighted average price is increasing too, impacted by the raw material price increase, so increasing the stock total value.

The provision set up for obsolete or slow-moving stock is substantially in line with previous year.
The obsolescence risk is measured taking into account the stock rotation, calculated monthly as the ratio of inventories to consumption over the last twelve months for raw material (forty-eight months for spare parts with life cycle defined "inactive"), and the product life cycle. On the basis of these two parameters, impairment percentages are applied which increase in proportion to the estimated risk.

The change in the obsolete stock provision was as follows:

OBSOLETE STOCK PROVISION *(in thousand euro)*	Raw materials	Work in progress and semi-finished goods	Finished goods and goods for resale	TOTAL
As at 31.12.2020	**8,539**	**1,470**	**27,480**	**37,489**
Increases/ Release	-579	171	632	225
Decreases	631	-53	-88	490
Exchange rate effect	175	13	204	392
Other	834	39	-865	8
Total changes	**1,061**	**171**	**-117**	**1,115**
As at 30.09.2021	**9,600**	**1,640**	**27,363**	**38,604**

The item "Other" shows primarily the reclassifications.
The recognition of inventories according to the weighted average cost method does not show any significant differences compared with a valuation at current costs.

NOTE 2.5 – TRADE RECEIVABLES

Trade receivables amounted to € 227,571 thousand, net of a bad debt provision of € 19,382 thousand.

Compared with 31 December 2020, the net balance shows a € 195 thousand decrease in absolute values. This trend was attributable to the mix effect generated by the strong increase in turnover, partially compensated by the strong collection performance and reduction in payment terms mainly in the areas with higher days of sales outstanding.
The incidence, in percentage, of trade receivables on the turnover of the last 12 months was equal to 11.7% compared with 13.7% recorded at 31 December 2020.

The bad debt provision of € 19,382 thousand shows a net increase by € 595 thousand compared with 31 December 2020, due to an open position in the Middle East that was switched from an amicable dispute to a litigation one in the month of June but partially offset by a significant decline in past due receivables thanks to the more stringent debt management and collection policy, as well as certain drawdowns as the Group wrote off non-performing loans confirmed to be no longer recoverable.

For Trade Receivables, the Group applies a simplified approach in the calculation of expected losses. The Group Policy defines a percentage of statistical devaluation based on the division of trade receivables into clusters of ageing and country risk. For companies with a credit insurance contract, percentages applied on the category insured customers is reduced by approximately half of it. Specific fund is provided for legal and specific devaluation by single clients' situation and their economic environment.

At 30 September 2021, the provision was deemed to be appropriate for the estimated losses from unsecured or in litigation receivables.
Following are the changes in the bad debt provision:

BAD DEBT PROVISION *(in thousand euro)*	**short term**	**medium/long-term**	**TOTAL**
As at 31.12.2020	**12,716**	**6,071**	**18,787**
Increases	1,615	156	1,771
Decreases	-514	-54	-568
Release	-498	-245	-744
Exchange rate effect	155	-19	136
Other	-211	211	0
Total changes	**546**	**49**	**595**
As at 30.09.2021	**13,262**	**6,120**	**19,382**

The item "Other" includes primarily the reclassifications made for the period in order to ensure the correct recognition of receivables subject to special valuation, such as those in legal proceedings or in litigation.

STATEMENT OF FINANCIAL POSITION - LIABILITIES

NOTE 3.1 – EQUITY

The total consolidated equity at 30 September 2021 amounted to € 530,929 thousand, up compared with € 446,517 thousand at 31 December 2020.

During this reporting period, within the broader corporate reorganization of the Ariston Group, after the merger of the company Ariston Thermo Holding Spa in the wholly owned subsidiary Ariston Thermo International Srl, Ariston Thermo Holding Spa, has been re-domiciliated in The Netherlands as Ariston Thermo Holding NV, establishing its registered office in Amsterdam the 15 June.
The new "Share capital" of the Parent Company at 30 September 2021, fully subscribed and paid up, is represented by no. 75,000,000 ordinary shares of € 0.01 each and by no. 225,000,000 multiple vote shares of € 0.20 each.

The overall change is the result of the algebraic sum of items of opposite signs, such as:

- the increase in the Group's profit for the period, amounting to € 113 million;
- the reserve for conversion of financial statements into the appropriate currency, used to recognise the differences in exchange rates deriving from the translation of the financial statements of foreign subsidiaries, not included in the Euro area, which has had a positive impact of € 16.5 million;
- the exchange rate differences arising from the translation of monetary items that are part of the hedge of a net investment in a foreign operation, in accordance with IAS 21, resulting in a € 1.6 million positive impact in the reporting period;
- the decrease associated with the € 48 million dividend payout;
- the positive change due to the remeasurement of the pension provisions, for € 2.6 million, mainly following changes in the financial assumptions, recognised in equity in compliance with revised IAS 19.

The "Cash flow hedge reserve" shows a change due to the recognition of cash flows deriving from instruments, which, pursuant to the provisions of IAS 39, are recognised under "future cash flows hedging instruments". This reserve corresponds to the fair value of existing derivative hedging agreements in effect at 30 September 2021. It is negative for € 2,348 thousand, down compared with the previous year, when it was negative for € 1,132 thousand.

The "Remeasurement reserve" (related to defined benefit pension plans), with a negative € 27,242 thousand, reflects the net effect on actuarial gains (losses) as of 1 January 2012 from the application of the amendment to IAS 19 - *Employee Benefits*. This item also includes the effect on equity of actuarial gains and losses accrued after 1 January 2012 and recognised in the consolidated statement of comprehensive income. The reserve remained negative and improved by € 2.6 million from 2020, following changes in the financial.

The "Reserve for the adjustment to fair value of financial assets", which was positive at € 626 thousand, included the fair value measurement at 1 January 2018 recognised under equity of financial assets classified as debit instruments at fair value through profit or loss (FVTPL).

For additional details about the changes occurring during the period in the single items of equity, see the financial statements, in particular the "Consolidated statement of changes in equity".

NOTE 3.2 – NON-CURRENT AND CURRENT PROVISIONS

Non-current and Current provisions totalled € 87,100 thousand, up by € 3,998 thousand compared with the previous year.
The following table shows the composition of this item and the changes occurring during the year:

NON-CURRENT AND CURRENT PROVISIONS (in thousand euro)	Agent supplementary indemnity provision	Product warranty provision	First installation provisions	Other provisions	TOTAL
As at 31.12.2020	2,598	49,601	5,930	24,974	83,103
of which:					
Current	**0**	**16,830**	**2,132**	**12,313**	**31,276**
Non-current	**2,598**	**32,770**	**3,798**	**12,661**	**51,827**
Increases	255	7,009	1,701	2,289	**11,253**
Decreases	-14	-3,397	-1,350	-1,962	**-6,723**
Other	0	1,358	314	-2,203	**-532**
Total changes	**241**	**4,969**	**665**	**-1,877**	**3,998**
As at 30.09.2021	2,839	54,570	6,594	23,098	87,100
of which:					
Current	**0**	**17,988**	**2,148**	**15,687**	**35,823**
Non-current	**2,839**	**36,582**	**4,446**	**7,411**	**51,278**

Details of and changes in "other provisions" are the following:

OTHER PROVISIONS (in thousand euro)	Legal disputes provision	Restructuring provision	Other risk provision	TOTAL
As at 31.12.2020	4,905	2,297	17,772	24,974
of which:				
Current	**4,618**	**2,110**	**5,585**	**12,313**
Non-current	**287**	**187**	**12,187**	**12,661**
Increases	-106	2,978	-583	**2,289**
Decreases	-14	-755	-1,193	**-1,962**
Other	-2	15	-2,217	**-2,203**
Total changes	**-122**	**2,237**	**-3,993**	**-1,877**
As at 30.09.2021	4,784	4,534	13,780	23,098
of which:				
Current	**4,376**	**4,039**	**7,272**	**15,687**
Non-current	**407**	**495**	**6,508**	**7,411**

Current provisions amounted to € 35,823 thousand versus € 31,276 thousand at 31 December 2020, whereas Non-current provisions amounted to € 51,278 thousand versus € 51,827 thousand in the previous year.

More specifically, the "Agent supplementary indemnity provision" recognises the accruals for covering indemnities that may be due to agents at their employment termination. The provision shows a limited increase of € 241 thousand compared to the previous year.

The "Product warranty provision", which represents estimated costs to be borne for technical support of sold products under warranty, is appropriate in order to hedge the related risk.
The method used to determine this provision is based on historical/statistical data concerning warranty work performed, costs incurred for such work and products sold on the market which are still under warranty at the evaluation date.
The provision recorded a net € 4,969 thousand increase mainly due to increases recognised in the period related to normal management activities of the warranty provided for installations.

The “First installation provision” represents the estimated expense that the Group shall bear for interventions of this type on the products. This has not substantially changed compared with December 2020.

The item “Other provisions” includes estimated future charges for corporate restructuring, pending legal disputes and other risks that it was deemed necessary to cover with appropriate provisions which were estimated based on the available information.
The increase of € 2,289 is partially offset by the fund utilisation of € 1,962, the item “Other” amounted to € 2,203 includes the effect of exchange rates for the period and reclassifications.

NET FINANCIAL INDEBTEDNESS

The reconciliation with the Group’s Net Financial Indebtedness is set out below.

		2021 Sep	2020 Dec	2020 Sep
	NET FINANCIAL INDEBTEDNESS			
	(values in thousands of euro)			
A	Cash	391,395	452,024	618,954
B	Cash equivalents including the current financial	311	434	404
C	Other current financial assets	5,153	7,909	9,166
D	**Liquidity** (A+B+C)	**396,858**	**460,368**	**628,524**
E	Current financial liabilities	-110,636	-35,545	-191,050
F	Current portion of non-current financial liabilities	-20,128	-188,007	-20,194
G	**Current Financial Indebtedness** (E+F)	**-130,764**	**-223,553**	**-211,243**
H	**Net Current Financial Indebtedness** (G-D)	**266,095**	**236,815**	**417,281**
I	Non current financial liabilities	-440,416	-389,874	-596,951
J	Non current financing (Debt instruments)			
K	Non current Trade and Other Payables	-3,177	-22,687	-26,748
L	**Non-Current Financial Indebtedness** (I+J+K)	**-443,593**	**-412,561**	**-623,699**
M	**Total Financial Indebtedness** (H+L) (*)	**-177,499**	**-175,746**	**-206,418**
N	Group Net Financial Position	**-138,831**	**-143,634**	**-172,505**
	Δ M-N	**-38,668**	**-32,112**	**-33,913**
	(*) ESMA 32-382-1138 guideline			

In preparing the statement of Net Financial Indebtedness, which is a non-IFRS measure, the Group considered the provisions set out in Consob Communication DEM/6064293 of 28 July 2006 and ESMA Guidelines, with the exception that it included non-current financial assets consisting of financial receivables and excluded outstanding debts associated with purchases of equity interest and positive MTM on derivatives.

At 30 September 2021, the Group recorded a negative Net Financial Position of € 139 million compared with a negative balance of € 144 million at 31 December 2020 and of € 173 million at 30 September 2020.

A reconciliation of the changes in financial liabilities used in financing activities indicated in the cash flow statement and the balances shown on the financial statements is provided below:

	At 31 December 2020	(1) Increase/decrease in short-term financial payables	(1) New loans	(1) Loans repayment	New lease contracts	Reclassification	Exchange rate effects	Other movements	At 30 September 2021
Non-current loans	389.874	0	202.501	-324.737	10.170	162.136	473	0	440.416
Current financial liabilities	33.337	46.287	0	0	0	0	0	2.067	81.691
Current loans	188.009	-5.988	0	0	0	-162.136	235	8	20.129
Total	**611.220**	**40.299**	**202.501**	**-324.737**	**10.170**	**0**	**708**	**2.075**	**542.236**

(1): Included in the Cash flow Statement

Table of Reconciliation among Cash & Cash Equivalent and Interim Consolidated Statement of Cash Flows (in millions of euros)	30/09/2021	30/09/2020
Cash and cash equivalents (as included in the statement of the financial position)	392	619
Short-term bank notes or similar tradable instruments and others	5	9
Bank overdrafts	-20	-21
Notes payable	-12	-12
Cash and cash equivalents (as included in the statement of cash flows)	**365**	**595**

NOTE 3.3 – TRADE PAYABLES

“Trade payables” at 30 September 2021 amounted to € 430,642 thousand showing an increase of € 66,581 thousand, compared with 31 December 2020. They are not subject to interests and their carrying value is believed to be close to the fair value at the end of the reporting period.

Trade payables improved in terms of the average number of days for payment, which went from 95 to 96 days.

NOTE 3.4 – OTHER CURRENT LIABILITIES

“Other current liabilities” amounted to € 211,698 thousand, compared to € 155,868 thousand at 31 December 2020.

OTHER CURRENT LIABILITIES *(in thousand euro)*	30/09/2021	31/12/2020
Advances from customers	9,008	6,982
Current payables for social security contributions	13,033	16,635
Current payables due to personnel	48,355	43,251
Indirect tax payables	25,938	19,302
Other current payables	115,364	69,699
Total	**211,698**	**155,868**

The main variance is given by Other current payables which is mainly driven by deferred income, increased by € 4.4 million compared to December 31 2021, € 24.9 million reclassification from long to short term of the put and call, €4.8 million reclassification of long term incentive and accrual of the period, € 3 million increase of accruals from subsidiaries.

OTHER INFORMATION

COMMITMENTS AND RISKS

The Group reported the following potential liabilities as at the end of the reporting period:

GUARANTEES ISSUED

The sureties issued in favour of third parties amounted to € 459 thousand.
Third-party assets in deposit accounts amounted to € 14,220 thousand.
No collateral guarantees are issued by the Group.

COMMITMENTS

At 30 September 2021, there were no commitments to be mentioned except for the ones concerning the call and put options entered into as part of the recent acquisitions and already accounted for as "Other liabilities".

LEGAL DISPUTES

Provisions recognised in the financial statements are deemed as fair in reference to the legal disputes that may have potential critical outcomes for the Group, also in terms of the significance of such outcomes.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Below are the Group's financial instruments recognised by category and level of confidence of their fair value measurements at 30 September 2021:

SEPTEMBER 2021	CARRYING VALUE PER TYPE						FAIR VALUE			
(in thousand euro)	FIN.INSTR. AT FAIR VALUE THROUGH P&L	FIN.INSTR. AT FAIR VALUE THROUGH OCI	AVAILABLE FOR SALE	LOANS & RECEIVABLES	FIN. LIABILITIES AT AMORTISED COST	TOT	LEVEL 1	LEVEL 2	LEVEL 3	TOT
measured at :	FAIR VALUE	FAIR VALUE	FAIR VALUE	AMORTISED COST	AMORTISED COST					
FINANCIAL ASSETS										
CASH AND CASH EQUIVALENTS	*0*	*0*	*0*	*391,705*	*0*	391,705	*0*	*0*	*0*	0
TRADE RECEIVABLES	*0*	*0*	*0*	*227,571*	*0*	227,571	*0*	*0*	*0*	0
CURRENT FINANCIAL ASSETS	*0*	*1,173*	*13*	*10,514*	*0*	11,700	*0*	*1,173*	*0*	1,173
FINANCIAL ASSETS	*0*	*0*	*0*	*4,746*	*0*	4,746	*0*	*0*	*0*	0
NON-CURRENT FINANCIAL ASSETS	*0*	*0*	*0*	*0*	*0*	0	*0*	*0*	*0*	0
ASSETS HELD FOR SALE	*299*	*0*	*0*	*0*	*0*	299	*0*	*0*	*299*	299
TOTAL	***299***	***1,173***	***13***	***634,536***	***0***	**636,021**	***0***	***1,173***	***299***	**1,472**
FINANCIAL LIABILITIES										
TRADE PAYABLES	*0*	*0*	*0*	*0*	*430,642*	430,642	*0*	*0*	*0*	0
CURRENT FINANCIAL LIABILITIES	*0*	*3,982*	*0*	*0*	*77,709*	81,691	*0*	*3,982*	*0*	3,982
CURRENT loans	*0*	*0*	*0*	*0*	*20,129*	20,129	*0*	*0*	*0*	0
NON-CURRENT FINANCIAL LIABILITIES	*0*	*0*	*0*	*0*	*0*	0	*0*	*0*	*0*	0
NON-CURRENT loans	*0*	*0*	*0*	*0*	*440,416*	440,416	*0*	*0*	*0*	0
TOTAL	***0***	***3,982***	***0***	***0***	***968,896***	**972,878**	***0***	***3,982***	***0***	**3,982**
FINANCIAL INSTRUMENTS BALANCE	***299***	***-2,809***	***13***	***634,536***	***-968,896***	**-336,857**	***0***	***-2,809***	***299***	**-2,510**

The financial instruments of the Group, recognised in the financial statements with a similar breakdown at 31 December 2020, are shown in the table below:

2020	CARRYING VALUE PER TYPE						FAIR VALUE			
(in thousand euro)	FIN.INSTR. AT FAIR VALUE THROUGH P&L	FIN.INSTR. AT FAIR VALUE THROUGH OCI	AVAILABLE FOR SALE	LOANS & RECEIVABLES	FIN. LIABILITIES AT AMORTISED COST	TOT	LEVEL 1	LEVEL 2	LEVEL 3	TOT
measured at :	FAIR VALUE	FAIR VALUE	FAIR VALUE	AMORTISED COST	AMORTISED COST					
FINANCIAL ASSETS										
CASH AND CASH EQUIVALENTS	*0*	*0*	*0*	*452,458*	*0*	452,458	*0*	*0*	*0*	0
TRADE RECEIVABLES	*0*	*0*	*0*	*227,766*	*0*	227,766	*0*	*0*	*0*	0
CURRENT FINANCIAL ASSETS	*0*	*2,091*	*12*	*7,897*	*0*	10,000	*0*	*2,091*	*0*	2,091
FINANCIAL ASSETS	*0*	*0*	*0*	*3,878*	*0*	3,878	*0*	*0*	*0*	0
NON-CURRENT FINANCIAL ASSETS	*0*	*0*	*5,127*	*0*	*0*	5,127	*0*	*0*	*0*	0
ASSETS HELD FOR SALE	*304*	*0*	*0*	*0*	*0*	304	*0*	*0*	*304*	304
TOTAL	***304***	***2,091***	***5,139***	***691,999***	***0***	**699,533**	***0***	***2,091***	***304***	**2,395**
FINANCIAL LIABILITIES										
TRADE PAYABLES	*0*	*0*	*0*	*0*	*364,061*	364,061	*0*	*0*	*0*	0
CURRENT FINANCIAL LIABILITIES	*0*	*3,696*	*0*	*0*	*29,641*	33,337	*0*	*3,696*	*0*	3,696
CURRENT loans	*0*	*0*	*0*	*0*	*188,009*	188,009	*0*	*0*	*0*	0
NON-CURRENT FINANCIAL LIABILITIES	*0*	*0*	*0*	*0*	*0*	0	*0*	*0*	*0*	0
NON-CURRENT loans	*0*	*39,428*	*0*	*0*	*350,446*	389,874	*0*	*0*	*0*	0
TOTAL	***0***	***43,124***	***0***	***0***	***932,157***	**975,281**	***0***	***3,696***	***0***	**3,696**
FINANCIAL INSTRUMENTS BALANCE	***304***	***-41,033***	***5,139***	***691,999***	***-932,157***	**-275,748**	***0***	***-1,605***	***304***	**-1,301**

Notes:
Level 1: quoted prices in an active market for the asset or liability being measured
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)
Level 3: unobservable inputs for the asset or liability

As the above table shows, at the reporting date, there were no differences between the carrying amounts of financial instruments and the corresponding fair value. In particular, among the non-current financial assets, obligations are mainly stated at fair value. Current and non-current loans are at both fixed and floating rates and are recognised at their amortised cost.
The Group is exposed to operations-related financial risks, including credit risk, liquidity risk and market risk, and constantly monitors them. The following section provides qualitative and quantitative information about the impact of these risks on the Group.

CREDIT RISK

Credit risk is the Group's exposure to potential losses from failure by commercial counterparties to fulfil obligations they have entered into. Failure to collect or late collection of trade receivables could impact negatively on the Group's economic results and financial equilibrium.
The Group's policy for managing credit risk from commercial activities envisages the preliminary assessment of counterparties' creditworthiness, the management of credit limits and the adoption of risk mitigation instruments, such as the acquisition of bank guarantees, letters of credit and the external transfer of part of the insolvency risk through a global program of credit insurance.

Risk management policies

The portion of insured receivables, at 30 September 2021, was 66% of the total exposure.

In order to mitigate credit risk, the Group has also adopted a policy which defines the strategic guidelines and operating rules for an effective system to control each company's credit.

In addition, the policy defines the means for estimating expected losses, in accordance with the means set out hereafter and taking account of the mitigating factor represented by the aforementioned instruments for insured credit.

For trade receivables, the Group uses the “12-month ECL” methodology to determine the lifetime of the expected losses associated with the probability of default over the next 12 months, using a forward-looking approach. The calculation of the expected credit loss, which is made on the residual life of the receivables at the date of their recognition in the financial statements and the subsequent reporting dates, considers a 12-month time horizon, since at the closing date of the period there was no significant increase in credit risk.
In particular, the Group applies an approach, defined as a “provision matrix”, based on the division of trade receivables into clusters on the basis of type (ordinary/legal), ageing (past-due ranges) and country rating. For the purposes of determining expected losses, the Group applies a definition of the default threshold for ordinary receivables of 120 days past due and 100% for receivables which have moved to legal default, since this is considered an effective indication of the threshold beyond which the receivable is considered unrecoverable. The calculation of the probability of default is therefore based on the effective number of days the payment is overdue.

As regards the write-off criteria, these are clearly based on the specific statutory and tax rules in force in the various countries where the Group companies are present.

Maximum risk exposure

The maximum exposure to risk, net of guarantees, at 30 September 2021 was € 78,000 thousand. The Group has not identified any concentration risk on customers and on its trade receivables The table below summarises the types of instruments protecting against credit risk used by the Group:

Type	**30/09/2021**	**%**	**31/12/2020**	**%**
Receivables under insurance policies	144	63%	120	53%
Other	6	3%	6	3%
TOT insured receivables	*150*	*66%*	*127*	*56%*
Non-insured receivables	*78*	*34%*	*101*	*44%*
Total receivables	**228**	**100%**	**228**	**100%**

“Other” mainly includes receivables insured through letters of credit and bank guarantees.

Overdue financial assets

The instrument used for the classification and monitoring of credit is ageing, according to which the accounts payables are divided by their expiry dates, starting from the most recent (1-30 days) to the oldest (beyond 120 days).
The amount of receivables past-due within 60 days is € 13,633 thousand (versus € 16,584 thousand at December 2020) whereas the amount of receivables past-due beyond 60 days is € 14.976 thousand (versus € 14,947 thousand at December 2020).
For the purposes of representing trade receivables for issued invoices by past-due ranges, the following table is provided:

Trade receivables ageing	30/09/2021	%	31/12/2020	%
Not overdue	199	87%	197	86%
Overdue 0-30	10	4%	13	6%
Overdue 31-60	4	2%	3	1%
Overdue 61-120	2	1%	2	1%
Due after 120 and legal	13	6%	13	6%

The credit policy defines the depreciation grid for statistical part differentiating percentage by aging and country risk class where trade receivable amount is allocated.
Also current (not overdue) amounts are allocated to their country risk class and subject to depreciation according to assigned percentage of devaluation. The related provision for bad debt amounted to € 1.258 thousand.
For Companies with a credit insurance contract, percentages applied on the category insured customers will be lower by 60% up to overdue below 180 days, while over 180 days the percentages remain the same.

Depreciation grid for statistical part

Trade receivables aging	Country Risk A	Country Risk B	Country Risk C	Country Risk D
overdue > 360 days	70%	80%	90%	100%
overdue 271- 360	50%	60%	70%	90%
overdue 181- 270	35%	40%	50%	70%
overdue 121-180	20%	25%	35%	50%
overdue 91-120	12.5%	15%	20%	30%
overdue 61-90	7.5%	10%	12.5%	20%
overdue 1-60	2.5%	5%	7.5%	10%
Overdue 0-30	1.25%	1.5%	2.5%	5%
Current (not overdue)	0.5%	0.75%	1.0%	1.5%

Method used to calculate the bad debt provision

The allocation for the provision is made on the basis of both analytical and generic assessments, as set out below:

Specific write-off: the receivables in litigation or past-due for longer than one year or transferred to an external collection agency are subject to a specific impairment loss according to the progress of their recovery and the information provided by the attorneys.
Simplified IFRS 9 model: for receivables that are past-due within the year, assessments are applied based on historic analyses in relation to the ageing of the receivables and the level of risk of each individual country, market and type of customer.

Following is the summary of the specific and simplified ECLs assessments used to determine the bad debt provision:

ANALYSIS OF BAD DEBT PROVISION		30/09/2021	31/12/2020
Total receivables	*Gross*	*246,952*	*246,553*
	Provision	*19,382*	*18,787*
	Net	**227,571**	**227,766**
Receivables impaired on a specific basis	*Gross*	*7,829*	*8,050*
	Provision	*6,801*	*6,406*
	Net	**1,028**	**1,644**
Receivables impaired on a simplified ECLs	*Gross*	*239,123*	*238,503*
	Provision	*12,581*	*12,381*
	Net	**226,542**	**226,122**

LIQUIDITY RISK

At 30 September 2021, the Group's "Overall available liquidity", defined as the sum of cash and cash equivalents and the unused portion of committed lines of credit only (equal to € 530 million at September month-end) amounted to approximately € 922 million. With short-and long-term bank loans, totalling over € 1,200 million as at the same date, of which approximately 40% has been used, the Group continues to carefully manage the liquidity risk.
The bank credit lines currently available to the Group, the cash and cash equivalents from operating activities, are therefore assessed as more than fair and such as to allow the Group to promptly and financially meet all its obligations by the due dates.
The Group manages its liquidity by using cash and cash equivalents in short-term technical forms or involving easy disposal.

The following table shows the contractual expiry dates for the financial liabilities other than derivatives. These figures are based on the non-discounted cash flows, including financial charges, as at the next closest date when the Group may be asked for the payment.

EXPIRY DATES 30 SEPTEMBER 2021 *(in million €)*	< 1 month	2-6 months	6-12 months	1-5 years	> 5 years	TOTAL
TRADE PAYABLES	**97**	**323**	**0**	**11**	**0**	**431**
FINANCIAL PAYABLES						
-current financial liabilities	70	12				**82**
-current loans		2	18			**20**
-non-current financial liabilities						
-non-current loans		2	2	250	209	**463**
Total financial payables	**70**	**16**	**20**	**250**	**209**	**565**
Total	**167**	**339**	**20**	**261**	**209**	**996**

The details for the expiry dates of financial and trade payables at 31 December 2020 are shown in the table below:

EXPIRY DATES 31 DECEMBER 2020 *(in million €)*	< 1 month	2-6 months	6-12 months	1-5 years	> 5 years	TOTAL
TRADE PAYABLES	**91**	**263**	**6**	**4**	**0**	**364**
FINANCIAL PAYABLES						
-current financial liabilities	24	9				**33**
-current loans		12	176			**188**
-non-current financial liabilities						
-non-current loans				391	10	**401**
Total financial payables	**24**	**21**	**176**	**391**	**10**	**623**
Total	**115**	**284**	**182**	**395**	**10**	**986**

MARKET RISK

The Group is exposed to several market risks and, in particular, to the possibility that fluctuation in exchange rates, interest rates and commodity prices may affect the value of assets, liabilities and the expected cash flows.
The risk management policies applied to interest rates, exchange rates and commodities, are centrally defined to minimise the above risks in a structured and proactive manner in the advancement of the Group's objectives.
The three types of market risk can be characterised as described here below.

Exchange rate risk

The international context where the Group operates exposes the Group to the risk that changes in exchange rates may affect its financial results.
The exposure to exchange rate risk determines:

a) impacts on the operating result due to the different valuation of income and expense in another currency compared to the time when the price conditions were agreed upon (economic risk);
b) impacts on the operating result due to the translation of trade or financial receivables/payables denominated in another currency (transaction risk);
c) impacts on the consolidated financial statements due to the translation of assets and liabilities held by companies that prepare their financial statements in a currency other than the euro (translation risk).

The most significant exposure in other currencies of the Group concerns the exchange rate of the euro against the US dollar, rouble, renminbi, Swiss franc and several other currencies for lower amounts.
The economic risk is hedged through average rate forward financial instruments, i.e. hedging agreements against the volatility that characterises the currency markets, using as a reference the monthly average exchange rates, and that allow the Group to achieve the goals set forth in its risk management policy. In order to pursue these goals, the Group entered into derivatives hedging a set proportion of net exposure in currencies other than the Group's currency. At each reporting date, the exposure is presented in the financial statements using hedge accounting, which requires to recognise derivatives at their fair value in the statement of financial position.

The Group considered it possible to use hedge accounting since the hedging relationship is effective in accordance with IFRS 9, which came into force as from 1 January 2018.
In order to minimise the exposure to the transaction risk, the Group uses derivative forward instruments which allow for a protection against revaluations/write-downs at the due date of the credit and debit positions of a financial and commercial nature.

The Group does not hedge the translation risk except for any distribution of intergroup dividends.

As at the reporting date, the notional amount of forward currency contracts (sale and purchase) entered into by the Group, can be summarised as follows:

(in million)	Notional amount in Currency	Notional amount in €
CHF	189.70	174.72
GBP	8.25	9.63
HUF	348.96	0.99
CZK	6.00	0.24
CAD	3.00	2.01
CNY	527.7	69.43
USD	26.8	22.77
PLN	0.0	0.00
SGD	2.4	1.53

At the same date, the fair value of the foreign exchange derivatives was overall positive, standing at € 1.023 thousand.

In relation to exchange rate risk, the Group undertook sensitivity analysis to determine any impact on the final profit before tax from potential fluctuations in exchange rates between the euro and the currencies to which the Group is exposed. The hypothesised scenario envisages a general variation in exchange rates of 2% and the following table shows the sensitivity, while keeping all the other variables fixed, in terms of the profit before tax and equity, gross of the tax effect:

	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
	30.09.2021	
Foreign currency revaluation	1	1
Foreign currency devaluation	-1	-1

<u>**Commodity price fluctuation risk**</u>

Profit and losses are affected by the performance of prices of raw materials, in particular as regards non-ferrous metals such as copper, nickel and aluminium, as well as precious metals like silver, which represent one of the primary components of the majority of products traded by the Group.
For hedging purposes against the risk of fluctuating prices for copper, silver and nickel, the Group provided, through the parent company Ariston Holding N.V., for the necessary hedging measures in line with the procedures already adopted in the previous years aimed at reducing the impact of price volatility in purchases over the next years.

Thus, the Group partly hedged purchases also for the years 2021 and 2022.
The Group hedged price risk with forward and average forward financial instruments that allow it to achieve the goals set out in its risk management policy. In pursuing said goals, the Group entered into derivatives hedging a set proportion of raw material purchases. At each reporting date, the exposure is presented in the financial statements using hedge accounting, which requires to recognise derivatives at their fair value in the statement of financial position.

The Group considered it possible to use hedge accounting since the hedging relationship is effective in accordance with IFRS 9, which came into force as from 1 January 2018.

When these instruments no longer qualify for hedge accounting, they are recognised as trading instruments.

As at the reporting date, the notional amount of forward commodity contracts entered into by the Group, can be summarised as follows:

Commodity	Financial instruments	Quantity/ton	Total price (in million euro)
Copper	Forward	1,155	8.849
Nichel	Average Forward	8	0.108
Silver	Average Forward	3.35	2.234
Aluminium	Forward	50	0.087

At the same date, the fair value measurement of the derivatives on commodities showed a negative € 134 thousand and was classified under "current financial liabilities".
Derivatives contracts entered into and closed during the year resulted in positive items amounting to approximately € 2,993 million which impacted the purchase cost of commodities.

Interest rate risk

Interest rate risk refers to the possible impact on the income statement deriving from fluctuations in the interest rates applied to the loans of the Group.
The amount of variable rate debt exposure of the Group, not hedged against interest rate risk, represents the main element of risk for the negative impact from an increase in the market interest rates. The interest rate risk to which the Group is exposed originates primarily from the medium/long-term financial payables.
The Group's policy for managing this risk seeks to strike a balance between fixed- and variable-rate debts, considering the maturity profile and short-term market outlook—including for the purposes of curbing funding costs.
Following the mid-long term loans, the Group has, at 30 September 2021, Interest Rate Swap (IRS) transactions with leading financial counterparties for a notional total amount of € 312 million.
At 30 September 2021, 76% of medium/long-term gross debt, in relation to third parties, is at a fixed rate and 24% is at a variable rate consistent with the Group policy.

The sensitivity analysis of interest rate risk is conducted under the delta margin approach and is aimed at measuring how a given change in interest rates would affect financial expense associated with variable-rate debt over the next 12 months.

The sensitivity of the interest spread, assuming a generalised +/- 50 basis point change in interest rates, amounted to + € 0,479 million and - € 0,496 million, respectively, at the end of September 2021, There were no material impacts on the Group's net profit and equity.

HEDGING INSTRUMENTS

In summary, at 30 September 2021, the following financial hedging instruments are in place:

- against exchange rates – Swiss franc, British pound sterling, US dollar and Chinese renminbi, Czech koruna;
- against commodities – copper, nickel, silver and aluminium
- against interest rates – medium-long term floating rate loans

The hedging instruments applied to exchange rates were set up in order to reduce the economic and transactional risk of the Group, and they meet all the formal requirements set forth in the IAS/IFRSs and are therefore recognised in hedging accounting.

The following table shows the details of hedging instruments in use at 30 September 2021. The amounts are expressed in million euro:

HEDGING INSTRUMENTS 30 SEPTEMBER 2021 *(in million €)*	NATURE OF RISK COVERED	FAIR VALUE 30/09/2021	NON-CURRENT FINANCIAL ASSETS	CURRENT FINANCIAL ASSETS	NON-CURRENT FINANCIAL LIABILITIES	CURRENT FINANCIAL LIABILITIES	TOTAL
Interest Rate Swap	Interest rates	-3.7				-3.7	-3.7
Average Forward	FX	0.3		0.3			0.3
Forward	FX	0.7		0.7			0.7
Forward	Commodity	0.0		0.0			0.0
Average Forward	Commodity	-0.1		-0.1			-0.1
TOTAL		**-2.8**		**0.9**		**-3.7**	**-2.8**

The following table shows the details of hedging instruments in use at 31 December 2020. The amounts are expressed in million euro:

HEDGING INSTRUMENTS 31 DECEMBER 2020 *(in million €)*	NATURE OF RISK COVERED	FAIR VALUE 31/12/2020	NON-CURRENT FINANCIAL ASSETS	CURRENT FINANCIAL ASSETS	NON-CURRENT FINANCIAL LIABILITIES	CURRENT FINANCIAL LIABILITIES	TOTAL
Interest Rate Swap	Interest rates	-3.7				-3.7	-3.7
Average Forward	FX	0.5		0.5			0.5
Forward	Commodity	1.2		1.2			1.2
Average Forward	Commodity	0.4		0.4			0.4
TOTAL		**-1.6**		**2.1**		**-3.7**	**-1.6**

RELATED PARTY DISCLOSURES

Based on the transactions carried out by Ariston Group during the first nine months of 2021, related parties are mainly represented by:

- companies directly and/or indirectly related to the majority shareholder of Ariston Thermo Holding NV;
- Directors and/or companies related to the same.

The following table shows the figures of the main transactions with related parties:

(in thousand €)	30-09-2021				31-12-2020			
	Receivables	*Payables*	*Revenue*	*Costs*	*Receivables*	*Payables*	*Revenue*	*Costs*
Fondazione A. Merloni	**4**	**0**	**4**	**350**	**6**	**0**	**5**	**500**
Novapower srl	**11**	**0**	**1**	**164**	**9**	**56**	**9**	**225**
Janus Immobili per l'Industria	**26**	**0**	**0**	**564**	**0**	**0**	**0**	**983**
Novapower L2 srl	**9**	**0**	**0**	**0**	**9**	**0**	**0**	**0**
Novacapital srl	**7**	**0**	**7**	**0**	**0**	**0**	**0**	**0**
Nova Re srl	**790**	**0**	**739**	**0**	**0**	**0**	**0**	**0**
Total	848	0	751	1,078	24	56	14	1,708

As regards transactions with related parties, it should be noted that they are not to be qualified as atypical or unusual, but should be included in the normal course of operations carried out by the companies of the Group. These transactions are regulated by market conditions and based on the characteristics of the services provided.
The main transactions with related parties concern Janus Immobili per l'Industria, consisting of rental charges for the logistic site of Borgo Tufico (Ancona) for the period 1 January 2021 to 28 July 2021 (in date 29 July the site was acquired by Ariston Thermo Spa) and Nova Re srl, consisting of recharge of costs related to the structural investments done on the Follina plant.

EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the reporting period that could affect the consolidated financial statements.

The 4th of October Compensation Committee has formalized the revised mechanics of Long Term Incentive plan to key Group managers in order to align it to new challenge and projects. The document is brought to the Board of Directors of the 28th October of its ratification allowing the execution immediately after.

In October, Ariston has signed an agreement with Kibbutz Shaar Haamakim to acquire Chromagen, a leader in renewable hot water solutions. Chromagen is active primarily in Israel and Australia, with a smaller commercial presence in southern Spain.
The final closing of this transaction will happen in a few months, as it remains subject to customary closing conditions, including approval by the Israeli competition authorities.
Ariston Group will purchase 100% of the shares and voting rights of Chromagen in Israel and Spain, and 51% of those in Australia. In Australia, local minority shareholders – who are also the key managers in the company – will continue to hold 49% of Chromagen Australia.

LIST OF COMPANIES AT 30 SEPTEMBER 2021

COMPANIES CONSOLIDATED ON A LINE BY LINE BASIS

N°	COMPANY	REGISTERED OFFICE	CURR.	SHARE CAPITAL	BUSINESS UNIT (*)	GROUP'S CONTROLLING INTEREST	INVESTING COMPANIES	DIRECT CONTROLLING INTEREST	SUBSIDIARIES' CONTROLLING INTEREST	MINORITY INTEREST
1	Ariston Holding NV	Netherlands	EUR	45.750.000	TC	parent company				
2	AR1 srl	Italy	EUR	200.000	TC	100,00	Ariston Thermo spa		100,00	
3	Ariston Thermo Argentina srl	Argentina	ARS	16.705.269	TC	100,00	Ariston Holding NV		99,63	
							Thermowatt spa		0,37	
4	Ariston Thermo Benelux sa	Belgium	EUR	176.000.000	TC	100,00	Ariston Holding NV	100,00		
5	Ariston Thermo Canada Ltd	Canada	CAD	43.000.000	TC	100,00	Ariston Holding NV	100,00		
6	Ariston Thermo (China) Co., Ltd	China	CNY	145.885.010	TC	100,00	Ariston Holding NV	100,00		
7	Ariston Thermo Croatia Ltd	Croatia	HRK	800.000	TC	100,00	Ariston Holding NV	100,00		
8	Ariston Thermo CZ sro	Czech Republi	CZK	30.000.000	TC	100,00	Ariston Holding NV	100,00		
9	Ariston Thermo Deutschland GmbH	Germany	EUR	255.700	TC	100,00	Elco International GmbH		100,00	
10	Ariston Thermo Egypt LLC	Egypt	EGP	10.900.000	TC	100,00	Ariston Holding NV	100,00		
11	Ariston Thermo Espana sl Sociedad Unipersonal	Spain	EUR	800.000	TC	100,00	Ariston Holding NV	100,00		
12	Ariston Thermo France sas	France	EUR	54.682.110	TC	100,00	Ariston Holding NV	99,99		
							Elco International GmbH		0,01	
13	Ariston Thermo Gulf Water Heating LLC	UAE	AED	400.000	TC	100,00	Ariston Holding NV	49,00		
							Third parties			51,00
14	Ariston Thermo Heating Tech.Nigeria Ltd	Nigeria	NGN	10.000.000	TC	100,00	Ariston Holding NV	100,00		
15	Ariston Thermo Holding USA LLC	USA	USD	63.037.687	TC	100,00	Elcotherm AG		100,00	
16	Ariston Thermo Hungária kft	Hungary	HUF	131.000.000	TC	100,00	Ariston Holding NV	100,00		
17	Ariston Thermo India Private Ltd	India	INR	220.000.000	TC	100,00	Ariston Holding NV	99,99		
							Ariston Thermo spa		0,01	
18	Ariston Thermo Industrial Vietnam Ltd	Vietnam	VND	41.600.000.000	TC	100,00	Ariston Holding NV	100,00		
19	Ariston Thermo Innovative Technologies srl	Italy	EUR	2.000.000	TC	100,00	Ariston Thermo spa		100,00	
20	Ariston Thermo Isitma ve Sogutma Sistemleri Ithalat, Ihracat ve Dagitim Ltd. Sti.	Turkey	TRY	66.157.500	TC	100,00	Ariston Holding NV	100,00		
21	Ariston Thermo Kazakhstan LLP	Kazakhstan	KZT	212.100	TC	100,00	Ariston Holding NV	100,00		
22	Ariston Thermo Maroc sa	Morocco	MAD	3.000.000	TC	100,00	Ariston Holding NV	100,00		
23	Ariston Thermo MEA WLL	Bahrain	USD	2.526.596	TC	100,00	Elcotherm AG		100,00	
24	Ariston Thermo Mexico S.A. de C.V	Mexico	MXN	2.350.000.000	TC	100,00	Elcotherm AG		99,99	
							Ariston Thermo Holding USA LLC		0,01	
25	Ariston Thermo Parts & Services SA	Switzerland	EUR	940.551	TC	100,00	Elcotherm AG		100,00	
26	Ariston Thermo Polska Sp. z o.o.	Poland	PLN	12.000.000	TC	100,00	Ariston Holding NV	100,00		
27	Ariston Thermo Pte Ltd	Singapore	SGD	100.000	TC	100,00	Ariston Holding NV	100,00		
28	Ariston Thermo Romania srl	Romania	RON	29.041.740	TC	100,00	Ariston Holding NV	100,00		
29	Ariston Thermo Rus LLC	Russia	RUB	1.403.787.727	TC	100,00	Ariston Holding NV	100,00		
30	Ariston Thermo spa	Italy	EUR	30.100.000	TC	100,00	Ariston Holding NV	100,00		
31	Ariston Thermo South Africa (Pty) Ltd	South Africa	ZAR	100	TC	100,00	Ariston Holding NV	100,00		
32	Ariston Thermo Tunisie SA	Tunisia	EUR	500.000	TC	66,70	Elcotherm AG		66,70	
							Third parties			33,30
33	Ariston Thermo UK Ltd	UK	GBP	7.500.000	TC	100,00	Ariston Holding NV	100,00		
34	Ariston Thermo Ukraine LLC	Ukraine	UAH	38.705.753	TC	100,00	Ariston Holding NV	100,00		
35	Ariston Thermo USA LLC	USA	USD	10.275.184	TC	100,00	Ariston Thermo USA Holding LLC		82,84	
							Third parties			17,16

N°	COMPANY	REGISTERED OFFICE	CURR.	SHARE CAPITAL	BUSINESS UNIT (*)	GROUP'S CONTROLLING INTEREST	INVESTING COMPANIES	DIRECT CONTROLLING INTEREST	SUBSIDIARIES' CONTROLLING INTEREST	MINORITY INTEREST
36	Ariston Thermo Vietnam Ltd	Vietnam	VND	31,471,000,000	TC	100.00	Ariston Holding NV	100.00		
37	Atag Construction BV	Netherlands	EUR	1	TC	100.00	Atag Verwarming Nederland BV		100.00	
38	Atag Electronics BV	Netherlands	EUR	1	TC	100.00	Atag Verwarming Nederland BV		100.00	
39	Atag Engineering BV	Netherlands	EUR	1	TC	100.00	Atag Verwarming Nederland BV		100.00	
40	Atag Heating BV	Netherlands	EUR	10,000	TC	100.00	Ariston Thermo Benelux sa		100.00	
41	Atag Heizungstechnik Gmbh	Germany	EUR	512,000	TC	100.00	Atag Heating BV		100.00	
42	Atag Verwarming Belgie BVBA	Belgium	EUR	18,600	TC	100.00	Atag Heating BV		100.00	
43	Atag Verwarming Nederland BV	Netherlands	EUR	18,000	TC	100.00	Atag Heating BV		100.00	
44	ATM1 HR S.A. de C.V.	Mexico	MXN	50,000	TC	100.00	Ariston Thermo USA Holding LLC		99.99	
							Ariston Thermo Canada Ltd		0.01	
45	ATM2 HR S.A. de C.V.	Mexico	MXN	50,000	TC	100.00	Ariston Thermo USA Holding LLC		99.99	
							Ariston Thermo Canada Ltd		0.01	
46	Atmor (Dongguan) Electronic Technology Co. Ltd	China	USD	1,000,000	TC	100.00	Atmor Electronic Technology Company Ltd		100.00	
47	Atmor Electronic Technology Company Ltd	Hong Kong	HKD	10,000	TC	100.00	Atmor Industries LTD		100.00	
48	Atmor Industries LTD	Israel	USD	1,790,409	TC	100.00	Elcotherm AG		80.00	
							Third parties			20.00
49	BCE srl	Italy	EUR	10,400	BUR	100.00	Ecoflam Bruciatori spa		100.00	
50	Calentadores de America S.A. de C.V.	Mexico	MXN	1,226,643,637	TC	100.00	Ariston Thermo Mexico S.A. de C.V		99.99	
							Ariston Thermo USA Holding LLC		0.01	
51	Cuenod sas	France	EUR	15,422,390	BUR	100.00	STV France sas		100.00	
52	Domotec AG	Switzerland	CHF	50,000	TC	100.00	Elcotherm AG		100.00	
53	Ecoflam Bruciatori spa	Italy	EUR	3,690,000	BUR	100.00	Ariston Holding NV	100.00		
54	Elco Austria GmbH	Austria	EUR	35,000	TC	100.00	Elcotherm AG		100.00	
55	Elco B.V.	Netherlands	EUR	2,046,004	TC	100.00	Elco Burners B.V.		100.00	
56	Elco Belgium nv/sa	Belgium	EUR	1,300,000	TC	100.00	Ariston Thermo Benelux sa		99.99	
							Elco B.V.		0.01	
57	Elco Burners B.V.	Netherlands	EUR	22,734	BUR	100.00	Ariston Thermo Benelux sa		100.00	
58	Elco Burners GmbH	Germany	EUR	25,000	BUR	100.00	Elco International GmbH		100.00	
59	Elco GmbH	Germany	EUR	50,000	TC	100.00	Elco International GmbH		100.00	
60	Elco Heating Solutions Limited	UK	GBP	3,001,750	TC	100.00	Ariston Themo UK Ltd		100.00	
61	Elco International GmbH	Germany	EUR	8,691,962	TC	100.00	Ariston Holding NV	100.00		
62	Elco Italia spa	Italy	EUR	3,500,000	TC	100.00	Ariston Thermo spa		100.00	
63	Elcotherm AG	Switzerland	CHF	1,000,000	TC	100.00	Ariston Holding NV	100.00		
64	Fluida S.A. de C.V.	Mexico	MXN	302,188,920	TC	100.00	Calentadores de America S.A. de C.V.		99.99	
							Ariston Thermo USA Holding LLC		0.01	
65	Gastech-Energi A/S	Denmark	DKK	7,554,935	TC	100.00	Ariston Holding NV	100.00		
66	Ingrado srl	Italy	EUR	10,000	TC	100.00	Ariston Holding NV	100.00		
67	Kesselheld Gmbh	Germany	EUR	83,333	TC	100.00	Elco International GmbH		80.00	
					TC		Third parties			20.00
68	NTI Boilers Inc	Canada	CAD	28,210	TC	100.00	NTI Holdings Ltd		100.00	
69	NTI Holdings Ltd	Canada	CAD	13,058,901	TC	100.00	Ariston Thermo Canada Ltd		100.00	
70	NTI Industrial Inc	Canada	CAD	100	TC	100.00	NTI Holdings Ltd		100.00	

N°	COMPANY	REGISTERED OFFICE	CURR.	SHARE CAPITAL	BUSINESS UNIT (*)	GROUP'S CONTROLLING INTEREST	INVESTING COMPANIES	DIRECT CONTROLLING INTEREST	SUBSIDIARIES' CONTROLLING INTEREST	MINORITY INTEREST
71	NTI-USA Inc	USA	USD	100	TC	100.00	NTI Boilers Inc		100.00	
72	PT Ariston Thermo Indonesia	Indonesia	IDR	16,260,750,000	TC	100.00	Ariston Holding NV	100.00		
73	Racold Thermo Private Ltd	India	INR	262,134,750	TC	100.00	Ariston Holding NV	99.99		
							Ariston Thermo spa		0.01	
74	S.H.E. d.o.o. Svilajnac	Serbia	RSD	35,432,220	COM	100.00	Thermowatt spa		100.00	
75	SPM Innovation sas	France	EUR	750,020	BUR	100.00	Ariston Holding NV	100.00		
76	STV France sas	France	EUR	9,730,123	TC	100.00	Ariston Thermo France sas		100.00	
77	Thermowatt Professional srl	Italy	EUR	100,000	COM	100.00	Thermowatt spa		100.00	
78	Thermowatt (Wuxi) Electric Co., Ltd	China	CNY	82,769,200	COM	100.00	Ariston Thermo (China) Co., Ltd		70.00	
							Ariston Holding NV	30.00		
79	Thermowatt spa	Italy	EUR	7,700,000	COM	100.00	Ariston Holding NV	100.00		

The participation shares in this table are the ones relevant for determining the Consolidated financial statements in the column "Group's Controlling interest". The companies acquired with the put/call contracts to be exercised on the remaining shares of the share capital were fully consolidated, together with the acquisition agreement based on the provisions set forth in IFRS3 (see the specific treatment of the individual put/call options in the notes).

(*) Refers to the main Business Line

LIST OF COMPANIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

N°	COMPANY	REGISTERED OFFICE	CURR.	SHARE CAPITAL	BUSINESS UNIT (*)	GROUP'S CONTROLLING INTEREST	INVESTING COMPANIES	DIRECT CONTROLLING INTEREST	SUBSIDIARIES' CONTROLLING INTEREST	MINORITY INTEREST
1	Joint venture "Ariston Thermo - UTG LLC" (**)	Uzbekistan	EUR	1,000,000	TC	51.00	Ariston Holding NV	51.00		49.00

(**) The company was not included in the scope of consolidation because of its limited area of operation and little significance.