DēLonghi Group

Annual report at 31 December

2022

Contents

The Annual report at 31 December 2022 has been translated from the Italian original solely for the convenience of international readers. The Italian version shall always prevail in case of any discrepancy or inconsistency between Italian version and its English translation.

Courtesy copy.

This version has been prepared for convenience of use and does not contain the ESEF information as specified in the ESEF regulatory technical standards (Delegated Regulation (EU) 2019/815).

The legally required ESEF-format is published and filed in Italian language in accordance to the Law.

The De’ Longhi Group

Our vision, our mission, our values

Worldwide, Every Day, by your Side

A desiderable object, An emotion,
An authentic experience

To be lived, To be shared.

Our values

Heritage
Passion
Respect
Competence
Ambition
Teamwork
Courage

The Group has its roots in the early 1900s when the de' Longhi family founded a workshop for the production of industrial components; over the years it became a manufacturer of finished goods for third parties; in 1974 the first De' Longhi brand appliance was launched, marking the beginning of the Group's history.

Known initially as a manufacturer of portable electric heaters and air conditioners, over the years the Company increased the range of products produced.

Today, the Group offers a range of small domestic appliances for the preparation of coffee, food-preparation and cooking, comfort (air conditioning and heating), as well as home care, and operates mainly through the three brands, De' Longhi, Kenwood and Braun.

Recently, the product range was increased thanks to the acquisition of Capital Brands Holding Inc., an American company active in the personal blenders segment with the Nutribullet and Magic Bullet brands and the Eversys Group, active in the professional espresso coffee machine sector.

The Group, whose main headquarters are in Treviso (Italy), is present worldwide thanks to the direct commercial branches and a network of distributors; it also owns five productive plants and a few stores.

The Group aims to strengthen its global leadership, reaching consumers worldwide with superior solutions for design, quality and technology.

The strong points that the Group can count on to achieve these goals include a portfolio comprised of strong, unique and diversified brands, the ability to see the new market trends, an extensive global reach, as well as the diversity and talent of its people.

The Group's values reflect who we are, our character, and our way of being and working. They are ideals that guide the Group's operations through the day-to-day work of its people and their projects.

The business model

We design products and experiences

Each product is born out of research, development, and engineering involving our technical units as well as the Marketing and Design divisions.

After defining the solution, the Group purchases the required raw materials and inputs.

From raw materials to products

The purchased raw materials and components are shipped to the Group's production sites and to the partners that manufacture and assemble the products. The process is structured around specialized centers where a specific product is always manufactured inside the same plant.

DēLonghi Group

Test after test, quality and safety

At the end of the manufacturing process all products, including the solutions made by the partners that supply finished products, are tested to guarantee the highest safety and quality standards.

Reaching customers and consumers

The products are shipped from the sourcing centers and logistics hubs to the various warehouses and then distributed across the Group's entire sales network.

Sustainability

The De' Longhi Group is committed to gradually including issues relating to environmental and social sustainability, as well as governance, in its strategy, risk management and compensation processes, promoting a systemic and transparent approach, respectful of the standards found in the Code of Ethics, with a view to also guaranteeing diversity, equal opportunity, fairness and no discrimination of any kind.

2022 marked the beginning of a new chapter in the Group's sustainability story.

The first Sustainability Plan was approved, targets were identified and specific projects in this regard were developed, the promotion and constitution of strategic partnerships with top tier universities continued and the Group's first Sustainability Manifesto was published.

The **Sustainability Manifesto**, available on the website www.delonghigroup.com, in the "Sustainability" - "Documents" section, summarizes De' Longhi's commitment to making a contribution to the global efforts for a sustainable future. It aims to solidify a commitment across the entire internal community, as well as share its targets with the external community, with a view to constant improvement.

The Group's sustainability strategy is built around three pillars:

- The first pillar, **Products**, focuses on the constant innovation of products with a view to guaranteeing durability and efficiency, as well as promote a healthy lifestyle.
- The second pillar, **Processes**, embraces the entire value chain and focuses on the responsible and efficient management of resources, the fight against climate change, the promotion of sustainability with suppliers, as well as healthy lifestyles.
- The third pillar, **People**, focuses on the Group's employees, on anyone who opts for De' Longhi's philosophy by buying its products and on the local communities - key Group stakeholders.

Eight areas of commitment have been identified which revolve around these three pillars comprised, in turn, of many subtopics.

All of the targets included in the 2022 Sustainability Plan were achieved:

- 100% of the Group's production plants obtained ISO 14001 environmental certification;
- the "Supplier Code of Conduct", which describes the ethical, social and environmental standards that Group suppliers must comply with, was also adopted;
- the "Responsible Sourcing Guidelines", which contain the ethical, social and environmental standards used by the Purchasing Department to assess possible suppliers, were also approved.

2 targets for 2023 were achieved one year earlier than called for in the Plan. More specifically:

- the expansion of the GHG inventory was completed with the mapping the Group's Scope 3 emissions (in addition to Scope 1 and 2 which were already reported on in the 2022 Non-Financial Statement). The completion of this project represents an important milestone in De' Longhi's sustainability plan as it provides the data needed to create the foundation for future changes along this path. This endeavor, in fact, makes it possible to understand the impact of the climate changing emissions associated with the entire value chain, from the purchase of raw materials through the disposal of obsolete products, including the impact of logistics and the consumers' utilization of the product. The GHG inventory represents the first step towards more efficient internal processes, setting long-term emission reduction targets which include Scope 1, Scope 2 and Scope 3 emissions;
- the "Eco-Design Guidelines" were adopted. Developed together with Milan's Politecnico, these guidelines are provided for every phase of a product's life cycle, from the conception to the planning of the project, to approval and sales. Toward this end, De' Longhi has identified different strategies including: the reduction of energy consumption during use and transport, optimization of the duration of the product and its components, greater durability and renewable materials, ease of disassembly and the reduction of any toxic and harmful materials.

Sustainability was also identified as one of the key enablers of the Medium-Term Plan 2021-2023, which confirms the importance that the concept of "Sustainable Success" has for the De' Longhi Group.

The Group is currently working on two other important initiatives. During the year De' Longhi, in fact, participated in a tender of the *Ministero dell'Università e della Ricerca (MUR)*, part of the *Piano Nazionale di Ripresa e Resilienza (PNRR)*. The tender calls for the creation of at least 12 expanded partnerships, including the Models for Sustainable Nutrition in partnership with the University of Parma. The targets to reach involve: prevention of waste, sustainability and the circular supply chain, improved nutrition and food sustainability in densely populated areas.

Lastly, in 2022 De' Longhi also participated in the Italian Green New Deal, a nationwide tender which provides for subsidies and financial concessions to support eco-friendly and circular transition projects. The initiatives identified by the Group refer mainly to the sustainability of coffee machines, from the parts used to the packaging.

The Company publishes its Consolidated Non-Financial Statement pursuant to Legislative Decree. 254/2016, as well as the relative Sustainability Report, both of which can be found on the website www.delonghigroup.com, in the "Sustainability" - "Documents" section.

Company Officers *

Board of Directors

Giuseppe de' Longhi	Chairman
Fabio de' Longhi	Vice Chairman and Chief Executive Officer
Massimiliano Benedetti **	Director
Ferruccio Borsani **	Director
Luisa Maria Virginia Collina **	Director
Silvia de' Longhi	Director
Carlo Garavaglia	Director
Carlo Grossi **	Director
Micaela Le Divelec Lemmi **	Director
Maria Cristina Pagni	Director
Stefania Petruccioli	Director

Board of Statutory Auditors

Cesare Conti	Chairman
Alessandra Dalmonte	Standing member
Alberto Villani	Standing member
Raffaella Annamaria Pagani	Alternate auditor
Alberta Gervasio	Alternate auditor

External Auditors

PriceWaterhouseCoopers S.p.A.***

Control, Risks, Corporate Governance and Sustainability Committee

Luisa Maria Virginia Collina **	Chairman
Micaela Le Divelec Lemmi **	
Stefania Petruccioli	

Remuneration and Appointments Committee

Carlo Grossi **	Chairman
Ferruccio Borsani **	
Carlo Garavaglia	

Independent Committee

Luisa Maria Virginia Collina **	Chairman and Lead Independent Director
Massimiliano Benedetti **	
Micaela Le Divelec Lemmi **	

* The current corporate bodies were appointed during the Shareholders' Meeting held on 20 April 2022 for the three-year period 2022-2024.
On 17 June 2022, the Board of Directors acknowledged the resignation tendered by Massimo Garavaglia, effective 31 August 2022, from his positions as Chief Executive Officer, as well any offices held within the Group's board. On 28 July 2022, as part of the Succession Plan Policy, adopted by De' Longhi S.p.A., in accordance with the Corporate Governance Code, the Board of Directors appointed the Vice Chairman Chief Executive Officer effective as from 1 September 2022, pending the identification of the new top manager. Effective again as from 1 September, Fabio de' Longhi was also identified, pursuant to the Corporate Governance Code, as the Chief Executive Officer charged with the institution and management of De' Longhi S.p.A.'s and the Group's internal control and risk management system. On 22 December 2022, the succession planning ended with the appointment of Nicola Serafin as the new General Manager (effective as from 1 January 2023) and the confirmation of Fabio de' Longhi as Chief Executive Officer.

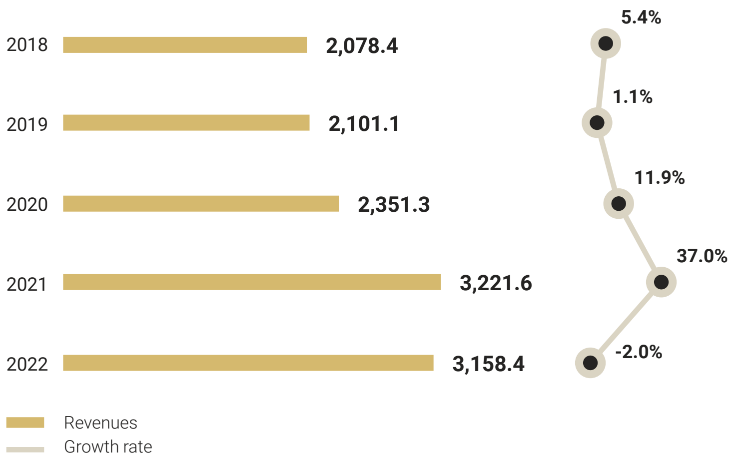
** Independent directors.

*** Assigned by the shareholders' meeting of 24 April 2018 for the financial years 2019-2027.

Key performance indicators

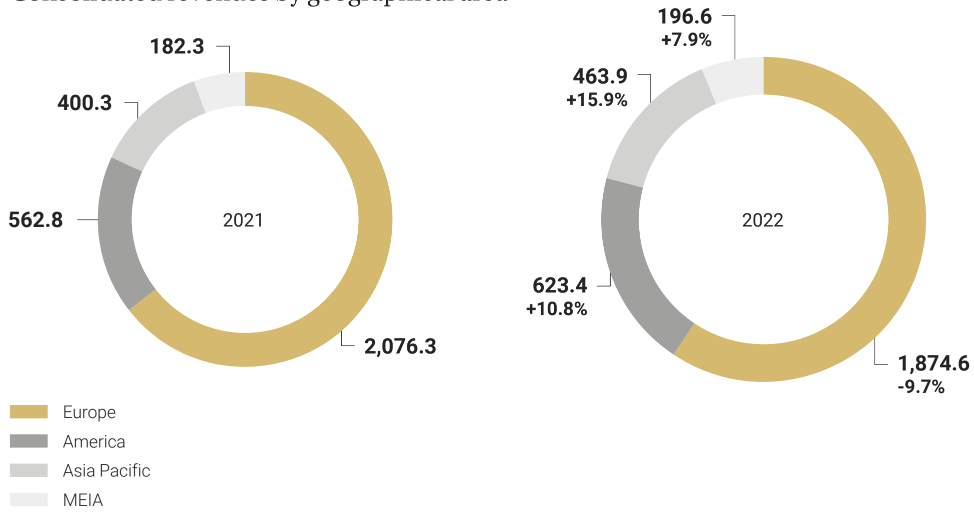
Consolidated revenues

of €3,158.4 million, down slightly against 2021, but higher with respect to the pre-pandemic levels.

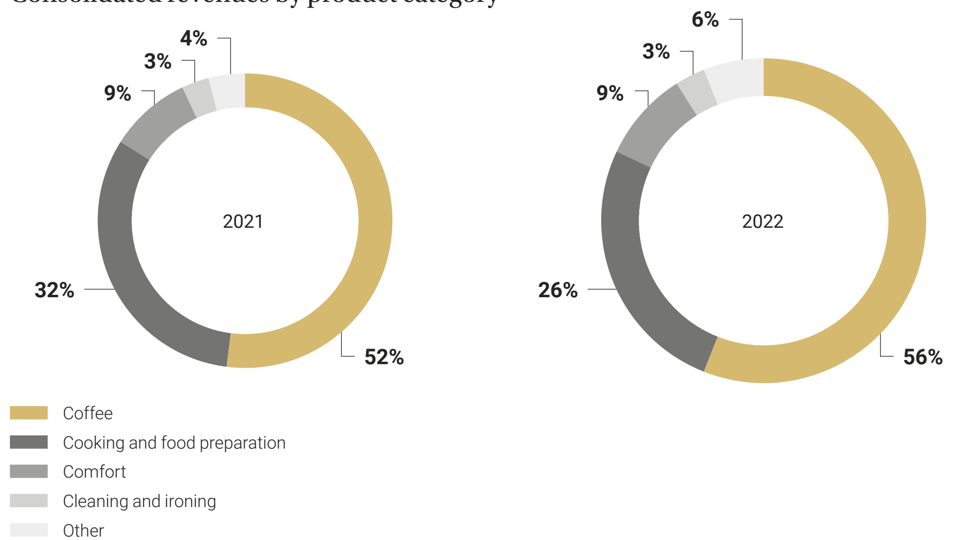


(€/million)

Consolidated revenues by geographical area

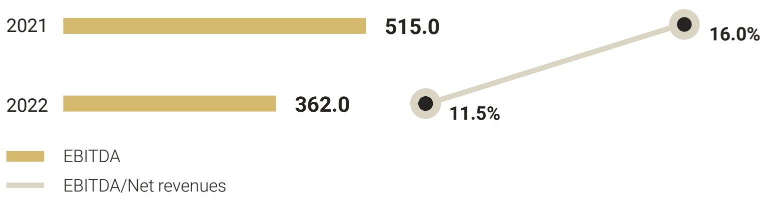


Consolidated revenues by product category



EBITDA before non-recurring/stock option costs

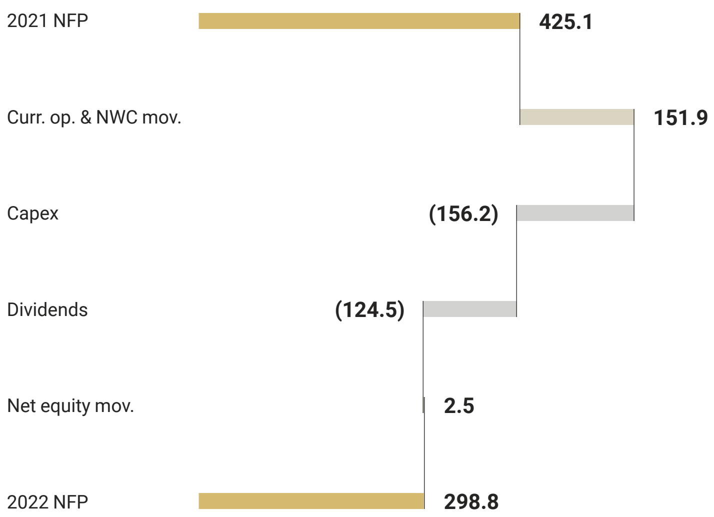
of €362.0 million (11.5% of revenues).



NFP

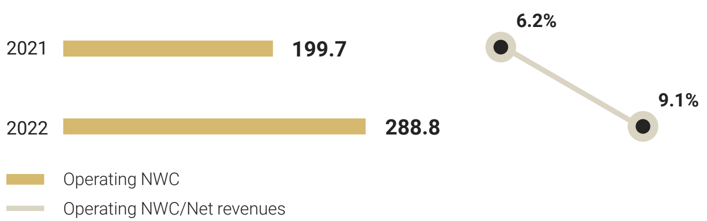
at €298.8 million.

Operating cash flow and changes in NWC positive for €151.9 million.



Operating NWC

of €288.8 million (9.1% of revenues).



(€/million)

Results

(€/million)	2022	%	2021	%	Change	Change %
Revenues	3,158.4	100.0%	3,221.6	100.0%	(63.2)	(2.0%)
Revenues at constant exchange rates	*3,031.3*	*100.0%*	*3,221.4*	*100.0%*	*(190.1)*	*(5.9%)*
Net industrial margin	1,493.3	47.3%	1,600.2	49.7%	(106.8)	(6.7%)
EBITDA before non-recurring/stock option costs	362.0	11.5%	515.0	16.0%	(153.0)	(29.7%)
EBITDA	369.4	11.7%	480.6	14.9%	(111.2)	(23.1%)
EBIT	263.5	8.3%	386.9	12.0%	(123.4)	(31.9%)
Profit (loss) pertaining to the Group	177.4	5.6%	311.1	9.7%	(133.7)	(43.0%)
Net result before non-recurring/stock option costs	170.3	5.4%	312.8	9.7%	(142.6)	(45.6%)

Statement of financial position

(€/million)	31.12.2022	31.12.2021
Net operating working capital	288.8	199.7
Net operating working capital/Revenues	9.1%	6.2%
Net working capital	142.9	(8.6)
Net capital employed	1,364.6	1,145.5
Net financial assets	298.8	425.1
of which:		
- net bank financial position	*389.5*	*505.9*
- other financial receivables/(payables)	*(90.7)*	*(80.8)*
Net equity	1,663.4	1,570.6

Introduction and definitions

This report contains forward - looking statements, specifically in the "Outlook" section which, by nature, have a component of risk and uncertainty as they depend on future events and developments. At the date of this report, there is a high level of uncertainty which is constantly changing and calls for caution when making economic forecasts. The actual results could, therefore, differ from the ones presented due to a number of factors.

The figures at constant exchange rates are calculated excluding the effects of converting currency balances and the accounting of derivative transactions.

The balance sheet and financial figures commented on refer to the De' Longhi Goup's perimeter which includes the recent acquisitions, Capital Brands and Eversys.

Report on operations

Introduction

2022 was a very complex year, characterized by a number of macroeconomic and geopolitical factors which impacted the performance of the business.

The aftermath of the Covid-19 pandemic, above all in China, the war in Ukraine, inflation, the generalized trend of higher costs and the sudden change in the financial markets (higher interest rates and exchange rate trends), contributed to highly volatile demand.

The general market saturation and the ensuing revision of growth forecasts resulted in a high level of stock at trade and the Group's warehouses which was addressed, beginning in the second half, by taking targeted action to contain inventory with a strong slowdown in production and purchases.

In this very complicated backdrop and after a 2021 of record growth, the De' Longhi Group faced the numerous challenges and the growing complexity of an environment which was, once again, changing constantly with resilience.

Thanks to ramped up investments in communication to support the brands, the good performance of coffee and the diversification of its presence in international markets, De' Longhi maintained revenues at a good level, recording a slight drop compared to 2021 which, however, was a challenging comparison base.

The factors described above did have a noticeable impact on margins which were affected by non-recurring costs connected to the slowdown in production and the high levels of inventory.

Thanks to the actions taken, the Group was able to preserve working capital (in particular with reference to inventory and trade receivables) and recover, above all in the fourth quarter, profitability and to minimize the impact on the net financial position, confirming the solidity of its balance sheet.

Similar to the prior year, in 2022 investments in communication continued, particularly in the global advertising campaigns launched to support coffee products which involve celebrity ambassadors and which will help to strengthen the Group's brand recognition and image over the medium-term.

During the year, De' Longhi also continued to invest in manufacturing, infrastructure and the development of new products. A process aiming to include sustainability in its business strategy in order to combine growth with sustainable development was undertaken which confirms the commitment to integrating sustainability as a strategic part of creating value for of its stakeholders.

The Group posted revenues of €3,158.4 million in 2022, a slight drop (-2.0%) against 2021 which, however, was a particularly challenging comparison base given the decided acceleration against 2020. The performance reflects lower volumes and a worsening of the mix which was only partially offset by a positive price effect and the strengthening of the main export currencies which boosted revenues (-5.9% at constant exchange rates).

In terms of geographies, the performance of revenues varied based on the impact of the critical factors that influenced business in 2022.

In **Europe** the Group reported revenues of €1,874.6 million, 9.7% lower than in 2021(-10.8% at constant exchange rates).

Positive results were seen in markets where coffee continued to perform well and the ones in which, typically, kitchen machines are less important.

Sales, in fact, reflected the different market dynamics and the decreased demand for home products, particularly food preparation, which returned to pre-pandemic levels resulting in the trade having excess stock. The drop in the sale of cooking products, above all kitchen machines, was accompanied by a difficult season for portable air conditioners. The conflict resulted in a complete suspension of activities in Ukraine which only resumed partially in the second half of the year and, indirectly, influenced sales in other countries as consumer spending shifted toward basic necessities and/or energy.

In **Americas** revenues amounted to €623.4 million, an increase of 10.8% compared to 2021 thanks also to a positive exchange effect (-1.2% at constant exchange rates).

Sales of coffee products were higher than in 2021, particularly of the fully automatic machines, the Nespresso partnership products and the manual machines.

The personal blender and small kitchen appliances market slowed after a return to normalcy post-pandemic which impacted the performance of Nutribullet and Magic Bullet products.

In **Asia Pacific** revenues rose 15.9% against 2021 (+12.2% at constant exchange rates) to €463.9 million despite the aftermath of the pandemic which also affected markets in 2022, above all Greater China which, however, posted positive results.

The markets in Australia/New Zealand and Japan also recorded growth, thanks mainly to the contribution of coffee products.

MEIA closed the year with revenues up 7.9% at €196.6 million, thanks also to a positive exchange effect (-4.1% at constant exchange rates), despite the current restrictions on imports which limited sales in one of the main markets.

Looking at business lines, coffee products reported an increase in revenues thanks to the positive contribution made by all the main product categories supported by communication initiatives.

The professional coffee machines, which have become part of the traditional product families since the recent Eversys acquisition, recorded robust growth in line with expectations.

Sales for food preparation were impacted by the comparison with a 2021 in which the segment reached a record high and a decrease in demand as post-pandemic purchase preferences shifted.

After two years (2020 and 2021) of great success, the personal blender market slowed which impacted the performance of the Nutribullet and Magic Bullet products.

Comfort recorded growth overall. In Europe portable air conditioners were impacted by an unfavorable summer and high levels of trade inventory. There was, however, decided improvement in the sale of heating products.

Home care, which includes home cleaning products and irons, closed the year with sales largely in line with 2021.

Inflationary pressures on the costs of materials and energy, the increase in tariffs due to unstable geopolitical scenarios and the high level of inventory caused a significant increase in production and logistics costs (mainly transport, warehouse rents and services used to move merchandise). In the first few months of the year inventory increased due to planning which was based on overly optimistic forecasts, as well as slower sales.

The Group, while it continued to operate in an uncertain and volatile macroeconomic and political environment, continued to invest in communication and marketing (higher than in 2021) in order to support the business, particularly as the roll-out of the global communication campaign launched in the fourth quarter of 2021 continued.

The net industrial margin came to €1,493.3 million, or 47.3% of revenues, a decrease of 6.7% compared to 2021 as the dynamics which influenced revenues were compounded by the increase in production costs.

EBITDA before non-recurring/stock option costs came to €362.0 million (11.5% of revenues), lower than the €515.0 million (16.0% of revenues) recorded in 2021.

The fourth quarter showed recovery with EBITDA before non-recurring/stock option costs reaching €150.0 million (14.6% of revenues) versus €158.0 million (14.7% of revenues) in the same period of the prior year.

In 2022 a few non-recurring items were recognized which together generated net income of €8.3 million (net costs of €30.8 million in 2021) including gains on the revised valuation of assets in Ukraine that were revalued as activity resumed partially in a few areas of the country which resulted in the payment of almost all of the receivables that had previously been written down, offset by a few charges including the donation made to support people affected by the conflict, as well as the economic impact of the purchase price allocation stemming from recent acquisitions.

The Group also recognized €0.9 million in notional stock option costs, net the change in the number of beneficiaries.

EBIT came to €263.5 million or 8.3% of revenues.

Financial expenses amounted to €25.3 million compared to financial income of €13.3 million in 2021 which included €25.3 million in non-recurring items stemming mainly from the revaluation of the non-controlling interest held in Eversys carried out once total control was acquired in accordance with IFRS 3. Financial expenses were affected by the amortized cost of a few financial instruments measured based on the interest rates in place at the reporting date.

After taxes of €58.4 million and minority interests of €2.4 million, the Group's portion of net profit came to €177.4 million (€311.1 million in 2021).

The taxes for the year include the deferred liabilities recognized for €9.8 million stemming from the possible release of distributable profit reserves of a few Group companies in accordance with Law 197/2022.

2022 was a complex year, including with respect to working capital management as it was impacted by the sudden changes in market conditions that caused a slowdown in production and a high level of inventories in the face of which the Group took actions that permitted a gradual return to normal levels of inventory in the fourth quarter.

More specifically, trade receivables were managed effectively and trade payables reflected the decreased purchases.

The net operating working capital amounted to €288.8 million (9.1% of revenues) at 31 December 2022 versus €199.7 million (6.2% of revenues) at the same date of 2021.

The net financial position came to a positive €298.8 million at 31 December 2022 (€425.1 million at 31 December 2021).

Net of a few specific financial items, including mainly the fair value measurement of derivatives, the residual debt for business combinations and pension fund transactions, the net financial position with banks was positive for €389.5 million (€505.9 million at 31 December 2021).

Operating cash flow and the movements in net working capital were positive for €151.9 million in 2022 due to the dynamics described above.

Net cash absorption of €126.3 million was recorded in the reporting period which reflects investments in improvements of production facilities for €156.2 million and the payment of €124.5 million in dividends.

Group results

The reclassified De' Longhi Group consolidated income statement is summarized as follows:

(€/million)	2022	% revenues	2021	% revenues
Revenues	**3,158,4**	**100,0%**	**3.221,6**	**100,0%**
Change	*(63.2)*	*(2.0%)*		
Materials consumed & other production costs (production services and payroll costs)	(1,665.1)	(52.7%)	(1,621.4)	(50.3%)
Net industrial margin	**1,493.3**	**47.3%**	**1,600.2**	**49.7%**
Services and other operating expenses	(889.1)	(28.2%)	(845.9)	(26.3%)
Payroll (non-production)	(242.2)	(7.7%)	(239.3)	(7.4%)
EBITDA before non-recurring/stock option costs	**362.0**	**11.5%**	**515.0**	**16.0%**
Change	*(153.0)*	*(29.7%)*		
Non-recurring expenses/stock option costs	7.4	0.2%	(34.3)	(1.1%)
EBITDA	**369.4**	**11.7%**	**480.6**	**14.9%**
Amortization	(105.8)	(3.4%)	(93.7)	(2.9%)
EBIT	**263.5**	**8.3%**	**386.9**	**12.0%**
Change	*(123.4)*	*(31.9%)*		
Net financial income (expenses)	(25.3)	(0.8%)	13.3	0.4%
Profit (loss) before taxes	**238.2**	**7.5%**	**400.3**	**12.4%**
Taxes	(58.4)	(1.8%)	(88.5)	(2.7%)
Net Result	**179.8**	**5.7%**	**311.7**	**9.7%**
Minority interests	2.4	0.1%	0.7	0.0%
Profit (loss) pertaining to the Group	**177.4**	**5.6%**	**311.1**	**9.7%**

The net industrial margin reported in the reclassified income statement differs by €240.2 million in 2022 (€292.8 million in 2021) from the consolidated income statement as, in order to better represent the period performance, production-related payroll and service costs have been reclassified from payroll and services, respectively, and non recurring expenses have been separately reported.

Revenues

The De' Longhi Group posted revenues of €3,158.4 million in 2022, down slightly (-2.0%) compared to 2021 which, however, was a particularly challenging target given the decided acceleration seen against 2020.

The performance was affected by the complex macroeconomic environment in which the conflict in Ukraine, accelerated inflation, energy crisis and higher interest rates compromised confidence and eroded consumers' buying power.

Due to shrinking demand and the high level of trade inventories, revenues suffered from a negative volume effect, along with a worsening of the mix.

The strengthening of the main export currencies had a positive impact on revenues which would have been down by 5.9% at constant exchange rates.

On-line sales increased gradually as a percentage of total consolidated sales.

Markets

The impact of the factors described above varied across the different commercial regions in which the Group operates; more specifically, the European markets were affected more by the conflict in Ukraine and the ensuing negative sentiment, while other regions showed greater staying power.

The performance of revenues in the different commercial regions is summarized as follows:

(€/million)	2022	%	2021	%	Change	Change %	Change at constant exchange rates %
Europe	1,874.6	59.4%	2,076.3	64.4%	(201.7)	(9.7%)	(10.8%)
Americas	623.4	19.7%	562.8	17.5%	60.6	10.8%	(1.2%)
Asia Pacific	463.9	14.7%	400.3	12.4%	63.6	15.9%	12.2%
MEIA (Middle East/ India/Africa)	196.6	6.2%	182.3	5.7%	14.3	7.9%	(4.1%)
Total revenues	**3,158.4**	**100.0%**	**3,221.6**	**100.0%**	**(63.2)**	**(2.0%)**	**(5.9%)**

The majority of the countries reported, above all in the first half, a slowdown in sales the timing of which varied across the different geographies according to the market trends.

France was the first country forced to address a decrease in demand for home products. More in detail, there was an inverted trend in the market for food preparation products beginning already in the first months of the year when demand returned to pre-pandemic levels and, consequently, retailers had high levels of inventory. The lower sales for cooking products, particularly kitchen machines, was accompanied by a difficult season for portable air conditioners and weak coffee sales which were lower than in the prior year.

A similar dynamic was recorded in the United Kingdom where sales are linked traditionally to Kenwood brand products, particularly kitchen machines and the breakfast line, and in Benelux where consumer confidence deteriorated quickly in the face of growing inflation.

The German market, also impacted by a weak kitchen machine segment, held against the prior year with only a slight decline in sales due to an uncertain consumer environment which prevailed in the summer through the beginning of the fall and was largely resolved after the government implemented a few measures in response to the energy crisis. Coffee sales, particularly of the fully automatic and manual machines, were positive.

Italy also succeeded in containing the slowdown in sales as it benefitted for a greater period of time than other countries from the success of the global communication campaign "Perfetto" which boosted the sale of coffee products. The results for portable air conditioners were positive while, similar to the other countries, kitchen machines, cooking and food preparation products sales were down.

Spain and Portugal bucked the trend and recorded an increase in sales, due mainly to the good performance of coffee products, as well as the good results for Braun brand irons and the lack of importance that food preparation products have for the two countries.

Poland recorded higher sales which benefitted from the success of fully automatic machines, while the Ukrainian market was affected by the suspension of all activities which subsequently recovered partially.

The conflict influenced the performance in the Scandinavian and Eastern European countries indirectly as consumer spending shifted toward basic necessities and/or energy.

In **Americas** the Group recorded revenues of €623.4 million, an increase of 10.8% against 2021 thanks also to the positive exchange effect; sales would have been largely in line at constant exchange rates (-1.2%).

Coffee product sales confirmed the growth trend seen in prior years thanks to fully automatic and Nespresso partnership products, but also manual machines.

The personal blender and the small kitchens appliances markets slowed after two years (2020 and 2021) of great success which impacted the performance of the Nutribullet and Magic Bullet brand products, as the post-pandemic progressive recovery.

Asia Pacific reported revenues of €463.9 million, an increase of 15.9% compared to 2021 (+12.2% at constant exchange rates).

Greater China, despite a slowdown in the economy and the zero tolerance Covid policies, recorded an important increase in the sale of coffee products attributable to the success of the advertising with local ambassadors, the launch of two new models which expanded the range of fully automatic and traditional machines, as well as the acceleration in online sales.

Australia and New Zealand showed decided growth driven, above all, by fully automatic coffee machines. Similarly, revenues in Japan improved gradually thanks mainly to the contribution of the fully automatic coffee machines.

MEIA close the year with revenues of €196.6 million, an increase of 7.9% explained by the positive exchange effect (-4.1% at constant exchange rates). The growth in sales recorded in the Gulf countries offset the crisis of the North African markets, above all Egypt where imports are blocked.

Business lines

In 2022, despite a challenging market backdrop, coffee products reported good sales growth thanks to the positive contribution of all product categories with the sole exception of the drip coffee machines.

The investments made in communication, specifically in the global "Perfetto" campaign, contributed significantly to strengthening brand recognition and the success of the product category.

Fully automatic machines reported positive results across all the commercial regions which allowed the De' Longhi brand to maintain its position as segment leader.

The biggest novelty in 2022, with respect to the medium/high-end, was the launch in a few markets of the Eletta Explore model with which, it's possible to prepare both cold and traditional drinks. As for the entry level models, the range of the Magnifica machines was expanded with the introduction of the new Magnifica Start.

Manual machines reported double-digit growth thanks mainly to the contribution of the La Specialista line which was expanded with the introduction of the new La Specialista Arte. In the fourth quarter of the year the launch in a few countries, including Australia and China, of the La Specialista Maestro model gave a further boost to sales and helped to strengthen the presence in the segment.

Traditional machines (without an integrated coffee grinder) continued to make a positive contribution thanks, above all, to the Dedica platform which was strengthened with the introduction of the Dedica Arte, a more evolved version of the current models.

The professional coffee machines, which have become part of the traditional product families since the recent Eversys acquisition, recorded robust growth.

With the post-pandemic recovery of the HoReCa sector, there was, in fact, strong demand for professional machines and Eversys, which provides highly automated machines, increased its sales with good results across all the traditional reference markets, specifically the United States, Ireland, the UK and the other European countries. Good results were also reported in other markets, first and foremost Asia. The segment also benefitted from the collaboration with an important international chain of coffee shops with whom Eversys has signed partnership agreements.

The sales performance of food preparation products reflects the comparison with a 2021 of record growth that couldn't be replicated due to a sudden slowdown in the demand for cooking products in the post-pandemic period which affected the premium range of products above all, including the Kenwood brand kitchen machines. The change in the market, which occurred quicker than expected, resulted in excess stock to be distributed which impacted the Group's business. Compared to 2019, so before the pandemic, currently there are, however, more focus and interest in food preparation, related above all to healthy eating. In an effort to reach a new type of customer in 2022 two new models of Kenwood brand food processors were launched, MultiPro Go and MultiPro Weigh XL, intended for a young target or first-time cooks.

The personal blender market was impacted by dynamics similar to the ones described above relative to food preparation products; due to these factors the Nutribullet and Magic Bullet brand products recorded a drop in sales in the United States. The family of extractors was an exception to this general trend. Thanks to the launch of new models, extractors maintained a leading position in the market for products related to healthy eating. Outside of the United States, Nutribullet is making progress in the development of new markets leveraging on the De' Longhi Group's well-established distribution structure.

Sales for comfort were, overall, higher. Sales for portable air conditioners were down due to a slowdown in sales in Europe. Portable air conditioners were impacted by an unfavorable summer season in Europe and the high levels of stock held by the distributors; furthermore, due to the increased competition between the players, the market reported gradual erosion in prices. The sale of heating products showed decided growth, due also to increased demand as concerns about the gas supply in Europe increased.

Home care, which includes home cleaning products and irons, closed the year with sales largely in line with 2021 thanks, above all, to a post-pandemic recovery in the purchase of irons, both traditional models and ironing systems. In 2022 the Group launched two new Braun brand models, CareStyle Compact Pro and CareStyle 7 Pro, in order to expand the range of ironing systems.

Profitability

2022 was characterized by strong inflationary pressure which affected raw materials, parts and energy.

The geopolitical instability also created problems in supply chain management and caused an increase in logistics costs.

The Group's results were impacted by these issues; furthermore, the high level of inventory, caused by overly optimistic stock planning, along with a slowdown in sales, made it necessary to reduce production which caused inefficiencies and an increase in certain costs relating mainly to warehouse rents and handling services.

Beginning in the second half, the Group took strong, targeted steps to contain inventory which helped to protect margins and keep the Group’s working capital under control.

The net industrial margin came to €1,493.3 million, or 47.3% of revenues, a decrease of 6.7% compared to 2021 as the dynamics which influenced revenues were compounded by the increase in the cost of raw materials, energy resources and the production inefficiencies referred to above.

The Group continued to invest in communication and marketing to support business despite an uncertain and volatile macroeconomic environment. The biggest investments made include the global communication campaign “Perfetto” launched in the fourth quarter of 2021.

EBITDA before non-recurring/stock option costs came to €362.0 million (11.5% of revenues), lower than the €515.0 million (16.0% of revenues) recorded in 2021.

The fourth quarter showed recovery with EBITDA before non-recurring costs coming in at €150.0 million (14.6% of revenues) versus €158.0 million (14.7% of revenues) in the same period of the prior year.

The non-recurring items showed net income of €8.3 million (net expenses of €30.8 million in 2021) including gains on the revised valuation of assets in Ukraine that were revalued in the second quarter as activity resumed partially in a few areas of the country which resulted in the payment of almost all of the receivables that had previously been written down, offset by a few charges including the donation made to support people affected by the conflict, as well as the economic impact of the purchase price allocation stemming from recent acquisitions.

The Group also recognized €0.9 million in notional stock option costs, net of the impact of the change in the number of beneficiaries.

EBIT came to €263.5 million or 8.3% of revenues.

Financial expenses amounted to €25.3 million compared to financial income of €13.3 million in 2021 which included €25.3 million in non-recurring items stemming mainly from the revaluation of the non-controlling interest held in Eversys carried out once total control was acquired in accordance with IFRS 3. Financial expenses were affected by the amortized cost of a few financial instruments measured based on the interest rates in place at the reporting date.

After taxes of €58.4 million and minority interests of €2.4 million, the Group’s portion of net profit came to €177.4 million (€311.1 million in 2021).

The taxes for the year include the deferred liabilities recognized for €9.8 million stemming from the possible release of distributable profit reserves of a few Group companies in accordance with Law 197/2022.

Operating segment disclosures

The De' Longhi Group has identified three operating segments which coincide with the Group's three main business regions: Europe, MEIA (Middle East, India and Africa) and APA (Asia, Pacific, Americas).

Each segment is responsible for all aspects of the Group's brands and serves different markets.

This breakdown is in line with the tools used by Group management to run operations, as well as evaluate the company's performance and make strategic decisions.

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

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	31.12.2022	31.12.2021
- Intangible assets	891.2	867.9
- Property, plant and equipment	448.1	389.5
- Financial assets	11.7	11.9
- Deferred tax assets	64.6	74.3
Non-current assets	**1,415.6**	**1,343.6**
- Inventories	550.7	769.3
- Trade receivables	278.8	366.7
- Trade payables	(540.7)	(936.2)
- Other payables (net of receivables)	(145.8)	(208.3)
Net working capital	**142.9**	**(8.6)**
Total non-current liabilities and provisions	**(194.0)**	**(189.5)**
Net capital employed	**1,364.6**	**1,145.5**
(Net financial assets)	**(298.8)**	**(425.1)**
Total net equity	**1,663.4**	**1,570.6**
Total net debt and equity	**1,364.6**	**1,145.5**

Net financial position as at 31 December 2022 includes € 90.7 million in net financial liabilities (net financial liabilities equal to € 80.8 million at 31 December 2021) relating to the fair value of derivatives and the financial debt connected to business combinations, pension fund and financial liabilities for leasing.

In 2022 the Group made investments totaling €156.2 million (€132.3 million in 2021), of which €15.3 million relative to intangible assets, mainly development of new products, €26.9 million in new leases, €113.1 million relative to property, plant and equipment which includes mainly investments in infrastructure relating, in addition to the purchase of the new plant in Romania, improvements at the plants in Europe and China.

The net operating working capital amounted to €288.8 million (9.1% of revenues) at 31 December 2022 versus €199.7 million or 6.2% of revenues at the same date in 2021. Inventory gradually returned to pre-pandemic levels thanks to the timely actions taken. The collection of trade receivables was managed well, while trade payables were down due to a strong decline in procurement.

Net working capital was positive for €142.9 million or 4.5% of revenues (vs. negative €8.6 million, -0.3% of revenues, at 31 December 2021).

Details of the net financial position are shown below:

(€/million)	31.12.2022	31.12.2021
Cash and cash equivalents	770.2	1,026.1
Other financial receivables	368.4	302.1
Current financial debt	(190.5)	(292.6)
Net current financial position	**948.1**	**1,035.6**
Non-current financial receivables and assets	124.6	70.5
Non-current financial debt	(774.0)	(681.0)
Non-current net financial debt	**(649.3)**	**(610.5)**
Total net financial position	**298.8**	**425.1**
of which:		
- positions with banks and other financial payables	*389.5*	*505.9*
- lease liabilities	*(80.5)*	*(75.9)*
- other financial non-bank assets/liabilities (fair value of derivatives, financial debt connected to business combinations and pension fund)	*(10.2)*	*(4.9)*

The net financial position came to a positive €298.8 million at 31 December 2022 (versus a positive €425.1 million at 31 December 2021).

This includes a few specific financial items, including mainly the fair value measurement of derivatives, the residual debt for business combinations and pension fund transactions, which had a net negative balance of €10.2 million at 31 December 2022 (negative for €4.9 million at 31 December 2021).

The item also includes lease liabilities recognized in accordance with IFRS 16 which amounted to €80.5 million at 31 December 2022 (vs. €75.9 million at 31 December 2021).

Net of these items, the net financial position with banks came to a positive €389.5 million (€505.9 million at 31 December 2021).

Despite its sound financial situation, as part of its strategy to extend the average life of its debt and create a liquidity buffer to be used to meet possible and temporary cash needs, in 2022 the Group decided to increase and diversify its financial resources by signing new loan agreements for a total of €200 million. The loans call for a pricing mechanism based on which the terms of the loan may be adjusted each year if certain ESG (Environmental-Social-Governance) targets are reached.

The ESG targets are part of the path already undertaken by the Group to include sustainability in its business strategy. The targets aim to combine growth with sustainable development and confirm the strong commitment to developing a model which fosters the increased integration of sustainability as strategic to creating value for all of its stakeholders.

The Group also negotiated a few RCFs for a total of €270 million.

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

(€/million)	2022	2021
Cash flow by current operations	340,0	496,9
Cash flow by changes in working capital	(188,0)	5,8
Cash flow by current operations and changes in NWC	**151,9**	**502,6**
Cash flow by investment activities	(156,2)	(132,3)
Cash flow by operating activities	**(4,3)**	**370,3**
Acquisitions	**-**	**(129,4)**
Dividends paid	(124,5)	(80,8)
Cash flow by treasury shares purchase	-	-
Stock options exercise	3,4	7,1
Cash flow by other changes in net equity	(0,9)	30,0
Cash flow generated (absorbed) by changes in net equity	**(122,0)**	**(43,7)**
Cash flow for the period	**(126,3)**	**197,1**
Opening net financial position	425,1	228,0
Closing net financial position	**298,8**	**425,1**

Operating cash flow and the movements in net working capital generated €151.9 million in 2022 due to the working capital dynamics referred to above.

Net cash absorption of €126.3 million was recorded in the reporting period which reflects improvements of production facilities for €156.2 million and the payment of €124.5 million in dividends.

Operations, supply chain and quality control

2022 was characterized by continuous change in the global environment due to unstable geopolitical situations and new procurement policies which call for a flexible supply chain capable of handling the uncertain situation that developed.

In this complex backdrop, the Group focused its procurement strategies on more evolved and complete relationships with suppliers, creating new synergies, particularly with respect to the co-designing and development of technological platforms, consistent with the commitment to promoting sustainability along the supply chain and the environmental awareness of the suppliers, as well as encouraging fair behavior throughout the production phases.

Toward this end, a Supplier Code of Conduct was issued which describes the ethical, social and environmental standards that Group suppliers must comply with; the "Responsible Sourcing Guidelines", which contain the ethical, social and environmental standards used by the Procurement Department to assess possible suppliers, were also approved.

As for the supply chain, implementation of the global Customer Fulfillment Excellence program continued in order to improve the level of customer service by redesigning and increasing the transparency of the processes used in planning and the automation of production, as well as in distribution flow and processes.

As for production, the automation and digitalization of the Italian and Romanian plants begun in the last few years continued.

In the Italian plant considerable investments were made as a result of which the plant became a World Economic Forum Community's Global Lighthouse Network Factory. The project was focuses on the digitalization of the plant begun previously, promoting visual management tools, developing traceability of materials and finding eco-sustainable solutions for the machinery tests, using, for example, AI systems instead of coffee beans. Lastly, the project also involved the automation of the main secondary functions of the coffee machines which allowed for both a reduction in costs, as well as significant improvement in the qualitative standards of the industrialized products.

The ISO 14001 certification of all the Group's plants was also completed.

Research and development

The product development choices and the improvement in processes made by the Group continued to be shaped by the use of sustainable resources, raw materials and parts, with the intent to operate according to sustainability principles.

More in detail, the Group was committed to developing innovative and sustainable products by including environmental criteria in the planning process in order to minimize the impact associated with procurement, production, distribution, use and obsolescence. The Group was also committed to reducing the environmental impact of packaging used during the production processes and for products, to promoting a model based on the use of renewable materials and reducing consumption along the value chain, as well as contributing to the fight against climate change by using low carbon emitting and highly energy efficient products.

Looking at the fully automatic coffee machines, the projects developed in 2022 involved a few solutions which call for less water with improved, quicker descaling.

All the packaging for the manual machines and Nespresso platform products was switched from Styrofoam to paper, cellulose paste, etc. Close attention was paid to optimizing and reducing the size of the boxes used in order to increase efficiency during collection, transport and distribution.

With the launch of the new fully automatic model Eletta Explore, a Cold Brew technology was introduced which is also available on premium traditional and manual machines like La Specialista, which makes it possible to prepare cold, as well as the traditional, drinks.

With regard to the Eversys brand professional coffee products, in April the new Legacy line was presented at Internorga, the biggest trade fair of the HoReCa sector held in Hamburg. Marketing of the line began in the fourth quarter of the year. The new models have a compact design, shape and price conceived to create new opportunities in the convenience store market.

The developments in the cooking and food preparation products segment involved, above all, aspects related to practicality and compactness which resulted in smaller products like the Kenwood brand Multipro Go or the Kenwood brand kitchen robots like MultiPro Weigh XL which stand out for the best performance and load capacity.

The search for innovative and sustainable materials was one of the main objectives for the air treatment products; for example, the "Capsule desk loop" heat fan was made from recycled plastic (50%) and presented to the consumer in packaging made 100% out of recycled paper.

As for home care, the focus for irons was on ergonomics and ease of use which resulted in "Human-Centred Design Process" certification, accredited by the ERGOCERT Institute, of the 7002 line. This is the first time this certification has been assigned to an ironing system.

Communication activities

In 2022 the Group continued to invest in promotional activities and communication, consistent with the direction taken in previous years.

With regard to the De' Longhi brand, investments were made in communication across all product families, albeit using different channels.

During the year, the Group continued to push the "Perfetto" global communication campaign launched in 2021 starring Brad Pitt, chosen as the brand's ambassador for espresso coffee machines, together with other testimonials who were selected for just a few markets in order to customize the campaign's message to better interpret local tastes and imagery. In China, Hu Ge, an actor and singer who is very popular on all Chinese social media, was chosen to act as testimonial. In the wake of the success seen in 2021, the campaign was broadcast using different media (TV, social and digital videos) in order to strengthen brand awareness. In 2022, the launch of the new fully automatic machine Eletta Explore in a few pilot countries was supported by an ad hoc edition of the campaign which in 2023 will be featured worldwide as the new model is introduced in the different markets.

Looking at digital channels, the De' Longhi Coffee Lounge platform, created to attract coffee lovers, recorded solid growth and today is present in all the Group's strategic markets. The platform was enriched with editorial content, allowing for solid and lasting relationships to be established with a great number of coffee roasters.

There was a significant increase in the followers, contacts and content on social media, both locally and globally; the "Behind your Coffee" series, which tells the story of what goes on behind the scenes as coffee moves from the producer, to the barista, to the consumer, was particularly well received.

Lastly, sustainability became officially an integral part of De' Longhi's brand identity with the presentation of its Brand Sustainability Manifesto on World Coffee Day (1 October).

As for the Kenwood brand, despite the complex market conditions, in 2022 the Group continued to invest in the "Kenwood Can" campaign, focusing on a few countries in particular (Germany, UK, France, Poland and Italy). More in detail, in the second half the campaign was adapted to support the launch of the new MultiPro Go and MultiPro Weigh XL models. Further investments were also made in the launch, for now only in Australia, of the "Kenwood Club" on digital media which targets, above all, Millennials and GenZ. The Group invested in creating video-recipes and specific content for social media, addressing topics like healthy eating and/or vegan diets and responsible food consumption.

During the year all the launches of Braun's new models were supported by dedicated communication campaigns, while further investments were made on the digital front, specifically in the website braunhousehold.com. Testimony to the focus on topics relating to sustainability, the campaign "Imperfect food", which addresses the very current issue of sustainable consumption and the reduction of waste, was developed.

In 2022, Capital Brands changed the organization of its distribution in EU countries and in a few, selected markets outside of Europe, transitioning from a network of distributors to sales through the Group's branches. This was done in order to increase the brand awareness of the Nutribullet brand with a focus on the core category of personal blenders which provide excellent results in terms of maintaining the ingredients' organoleptic properties.

Human Resources

Here follows a detail of the average workforce in 2022:

	2022	2021
Blue collars	5,928	6,694
White collars	3,226	3,074
Managers	296	301
Total	**9,450**	**10,069**

The Group had an average of 9,450 employees in 2022, a decrease of 619 heads, compared to 2021, mainly due to the reduction of production activities.

During the year the Group continued to pay great attention to the Covid-19 crisis and the anti-contagion measures adopted in 2020 and 2021 were maintained for a good part of the year. It was only when there was a consistent drop in the number of infections and changes in the law, that it was deemed opportune to gradually reduce the scope of these measures.

A new Group smart working policy took effect as of August. This policy aims to transform the obligation of reduced in-person working in order to limit the risk of contagion, into a new, hybrid approach to working which is carried out partly in the office and partly remotely.

Its global presence inevitably exposed the De' Longhi Group to the geopolitical and humanitarian issues linked to the Russian-Ukrainian conflict since the first few months of 2022. Guaranteeing the safety of its employees was, from the very beginning, the Group's top priority and support was immediately provided to the employees and family members fleeing Ukraine. The jobs and salaries of all the Ukrainian employees were guaranteed. All those who decided independently to leave their jobs were given a one-off stipend to be used for basic needs.

For more information on Human Resources management refer to the specific section of the Non-Financial Statement.

Report on corporate governance and ownership structure

De' Longhi S.p.A.'s Report on Corporate Governance and Ownership Structure drawn up in accordance with art.123 - bis of Legislative Decree n. 58/98 ("TUF") can be found in a report not included in the Report on Operations, published at the same time as the latter and available on the company's website www.delonghigroup.com (section Home > Governance > Corporate bodies >Shareholders' Meeting 2023).

Pursuant to art.16.4 of the Market Regulations please note that De' Longhi S.p.A. is not subject to the direction and control of the parent company De' Longhi Industrial S.A., or of any other party, pursuant to and in accordance with articles 2497 et seq of the Italian Civil Code, insofar as (i) the Group's business, strategic and financial plans, as well as the budget, are approved independently by De' Longhi S.p.A.'s Board of Directors; (ii) the financial and funding policies are defined by De' Longhi S.p.A.; (iii) De' Longhi S.p.A. conducts its relationships with clients and suppliers in full autonomy; and (iv) in accordance with the principles of the Corporate Governance Code, important strategic, economic, equity and financial transactions are examined by the board and approved exclusively by the Board of Directors.

Risk management and internal control system relating to the financial reporting process

Introduction

The Issuer's and the De' Longhi Group's Internal Control System consists in the set of rules, procedures and organizational structures set in place to ensure that company strategies are adhered to and, based on the corporate governance standards and model included in the COSO report (Committee of Sponsoring Organizations of the Treadway Commission), to guarantee:

a. efficient and effective company operations (administration, production, distribution, etc.);

b. reliable, accurate, trustworthy and timely economic and financial information;

c. compliance with laws and regulations, as well as the corporate articles of associations, rules and company procedures;

d. safeguarding of the company's assets and protection, to the extent possible, from losses;

e. identification, assessment, management and monitoring of the main risks.

The executive administrative bodies of the Parent Company De' Longhi S.p.A. (Board of Directors, the Risk and Control, Corporate Governance and Sustainability Committee, Director in Charge of the Internal Control and Risk Management System), the Board of Statutory Auditors, the Director of Internal Audit, the Supervisory Board, the Chief Financial Officer/Financial Reporting Officer and all De' Longhi personnel, as well as the Directors and Statutory Auditors of the Issuer's subsidiaries, are involved in the controls, with different roles and in function of their expertise and adhere to the recommendations and principles found in the guidelines.

The Internal Control System that is subject to examination and periodic audits, taking into account changes in the company's operations and reference context, makes it possible to address the main risks to which the Issuer and the Group are exposed to over time, in a timely manner, as well as to identify, assess and control the degree of the exposure of the Issuer and all the other companies of the De' Longhi Group - particularly the strategically important subsidiaries - to the different types of risk, and also makes it possible to manage the overall exposure taking into account:

i. the possible correlations between the different risk factors;

ii. the probability that the risk materializes;

iii. the impact of the risk on the company's operations;

iv. the overall impact of the risk.

The internal control and risk management system relating to the financial reporting process (administrative and accounting procedures used to draft the separate and consolidated annual financial statements and the other economic and/or financial reports and disclosures prepared in accordance with the law and/or regulations, as well as ensuring correct implementation) coordinated by the Chief Financial Officer/Financial Reporting Officer, is an integral and essential part of the De' Longhi Group's Internal Control and Risk Management System.

The Director of Internal Audit - who is in charge of verifying that the internal control and risk management system works efficiently and effectively - prepares a work plan each year that is presented to the Board of Directors for approval, subject to the positive opinion of the Risk and Control and Corporate Governance and Sustainability Committee and after having consulted with the Board of Statutory Auditors and the Director in Charge of the Internal Control and Risk Management System, based also on the comments made by the Chief Financial Officer/Financial Reporting Officer, as well as pursuant to Legislative Decree 262/05. Discusses the steps taken to resolve any problems, to make the improvements agreed upon, as well as the results of the testing activities with the Risk and Control and Corporate Governance and Sustainability Committee. Provides the Chief Financial Officer/Financial Reporting Officer, as well as the administrative body assigned, with a summary report based on which they can assess the adequacy and application of administrative procedures to be used to prepare the consolidated financial statements.

Description of main characteristics

The De' Longhi Group uses a system of risk management and internal control for the financial reporting process that is part of the wider system of internal controls as required under art. 123-bis par. 2.(b) of TUF.

For the purposes of ensuring reliable internal controls over its financial reporting, the Group has implemented a system of administrative and accounting procedures and operations that include updating in order to comply with the law and changing accounting standard, rules for consolidation and interim financial reporting, as well as coordination with subsidiaries as needed.

The Group's central corporate functions are responsible for managing and communicating these procedures to other Group companies.

The assessment, monitoring and continuous updating of the internal control system relating specifically to financial reporting is carried out in accordance with the COSO model and, where applicable, Law 262/2005. Critical processes and sub-processes relating to the principal risks have been identified in order to establish the principal controls needed to reduce such risks. This has involved identifying the strategically important companies, based on quantitative and qualitative financial parameters (i.e. companies that are relevant in terms of size and companies that are relevant just in terms of certain processes and specific risks).

Having identified these companies, the risks have been mapped and assessed and the key manual and automatic controls have been identified and rated as high/medium/low priority accordingly; these controls have then been tested.

The perimeter of the companies included in the mapping for the purposes of Law 262/2005 has changed over the years to reflect the changes in the Group, both quantitative and qualitative, and this perimeter was also considered for the definition of companies viewed as strategic.

The general managers and administrative heads of each Group company are responsible for maintaining an adequate internal control system and, given their roles, must certify that the internal control system works properly.

Internal Audit must also include verification of the internal controls through the use of a self-assessment check list in its Audit Plan.

With regard to compliance with Consob Regulation 20249 of 28 December 2017 and subsequent changes relating to market regulations ("Regolamento Mercati"), De' Longhi S.p.A. controls, directly or indirectly, seven companies formed and regulated by the law of countries that are not part of the European Union considered relevant pursuant to art. 151 of the issuer regulations ("Regolamento Emittenti").

With reference to the requirements of art. 15 of the Market Regulations, it is reported as follows:

- in the issuer's opinion, these companies have suitable accounting and reporting systems for regularly providing management and the auditors of De' Longhi S.p.A. with all the financial information needed to prepare the consolidated financial statements and perform the audit of the accounts;
- these companies provide the auditors of De' Longhi S.p.A. with the information needed to audit the parent company's interim and annual financial statements;
- the issuer keeps the articles of association of the aforementioned companies and details of their company officers and related powers, which are constantly updated for any changes in the same;
- the financial statements of such companies, prepared for the purposes of the De' Longhi Group's consolidated financial statements, have been made available in the manner and terms established by existing law. Please note that the identification and analysis of the risk factors contained in this report were carried out including in light of the change in strategic companies as resolved by the Board of Directors.

In order to identify and manage the Company's main risks, with regard particularly to corporate governance and compliance with the law and regulatory standards (including, specifically the recommendations found in the Corporate Governance Code for Listed Companies), the De' Longhi Group undertook to develop and monitor a structured Enterprise Risk Management model.

The purpose underlying the implementation and deployment of the Enterprise Risk Management (ERM) system is to strengthen the risk control and management system by mapping the main risks to which the Group is exposed along its value chain, identifying the inherent and relative residual risk, as well as defining and implementing the actions needed to eliminate and/or mitigate them.

In 2022 the activities relating to the management and analysis of the risk management system continued through a few additional activities, carried out by Internal Audit, which called for the monitoring of Group roles and the completion of what is, basically, the "New ERM Platform" which constitutes the foundation for more structured and efficient risk management. The implementation of this platform marks an important change in the Group's approach to Risk Management which combines the top-down perspective of management and strategic supervision with a bottom-up valuation to define relevant local risks for each branch.

The ERM system also includes a list of risks connected to sustainability.

This reflects the gradual integration of environmental and social sustainability, as well as governance, in the corporate strategy, risk management and compensation processes, promoting a systemic and transparent approach, respectful of the standards found in the Code of Ethics, with a view to also guaranteeing diversity, equal opportunity, fairness and no discrimination of any kind. These risks also include climate change.

In the two-year period 2021-2022 the main markets/plants and a majority of the departments at headquarters were involved.

While the onboarding activities were being carried out in 2022, the Group's main managers were asked to provide their input as to the most imminent and impactful risks. Another extended phase of the project involved a great number of managers worldwide which allowed for a more extensive mapping of the biggest risks perceived globally.

In a backdrop of strong Group growth, the main risks in 2021 were tied to the problems connected with the pandemic, namely the difficulties in providing the amount of products needed by the customer deadlines. The main critical issues in 2022 were, rather, connected to the extremely volatile economic environment which was impacted by high inflation (increase in the cost of materials and energy), increased interest rates and volatile foreign exchange markets, as well as the difficulties encountered with forecasting, the retention of key resources and the conflict in Ukraine.

A majority of the managers identified the difficult macroeconomic environment and the risk of a recession as some of the main risks. Other localized, risk factors included a possible decrease in demand and, more in general, an environment of great instability which makes it difficult to make projections.

Internal Audit will continue to expand the "risk library" and further improve the functionality of the platform, in order to facilitate the updating, supervision and monitoring of risks.

Risk factors for the De' Longhi Group

The risk factors to which the Group is exposed and that could have a material impact on the De' Longhi Group's business are summarized below.

These risk factors also take into account the above mentioned ERM project and the assessments carried out in current year and in prior years including through more in-depth analyses shared with the Risk, Control, Corporate Governance and Sustainability Committee and De' Longhi S.p.A.'s Board of Statutory Auditors.

With regard to the main risks highlighted below, the De' Longhi Group constantly monitors any situations and changes in macroeconomic and market trends, as well as demand, in order to implement any necessary and timely strategic actions.

In addition to the risk factors and uncertainties identified in this report, other risks and events not currently foreseeable or thought unlikely, could also influence the business, the economic and financial conditions and prospects of the De' Longhi Group.

1 - Risks relating to macroeconomic trends: the De' Longhi Group's economic performance and financial position are also affected by macroeconomic trends such as:

The main risk factors relate to:

- consumer trends;
- the cost of raw materials;
- interest rates and the foreign exchange markets;
- any policy changes made in a few key markets;
- any disturbances, riots and strikes or other types of demonstrations;
- any epidemics and/or serious health related situations (like the prolonged coronavirus emergency).

The current situation of general instability materialized at the same time in the world's main developed economies, albeit to varying degrees and for different reasons: in Europe the conflict in Ukraine and strong increases in energy costs, which impacted consumption and investments; in China, the zero-tolerance Covid policies and the crisis of the real estate sector; in the USA, the strong inflationary pressures tied to monetary policies.

The Group monitors these economic trends periodically in order to take quick strategic action as needed.

The Group is also subject to the risks connected to the spread of epidemics or serious health issues in the main reference markets which could interrupt or limit activities in these markets (in relation to operations, the supply chain and/or the sale of products, as well as all the back-office activities) as well as risks stemming from local conflicts which can also affect key markets, as was the case in Ukraine.

These events are not foreseeable, but as a result of past experiences the Group is able to react and implement all the measures needed to limit the consequences, as was the case in 2020/2021 when, due the global health crisis, the Group had to face an unprecedented level of market uncertainty.

The persistence of these situations, however, could interrupt and/or limit the Group's activities which would have an impact on economic and financial results.

2 - Socio-political risks relating to market trends and demand, and to the Group's presence in emerging markets. The De' Longhi Group does business in many foreign markets, primarily on a direct basis and through agreements in certain emerging countries like China.

The Group has therefore long had the characteristics typical of a multinational company and this inevitably exposes it to a number of risks relating to economic conditions and policies of the individual countries in which it operates.

These risks not only affect consumption trends in the various markets concerned, but may also be relevant in terms of concentration of the Group's production sites in foreign markets if polices were introduced that limit or restrict foreign investment, imports and exports or capital repatriation.

These are systemic risks, common to all businesses, for whom the ability to generate value depends first on the dynamics and size of the market and only second, on their ability to compete and consolidate/acquire the largest possible market share.

The Group, in the persons of the Chairman of the Board of Directors, the Chief Executive Officer, and the division and market managers, constantly monitors market trends in order to promptly seize opportunities to increase business and to assess the likelihood of any risks (and their potential effects on the Group's results).

Any adverse political and economic events that occur in the markets where the De' Longhi Group operates (particularly in emerging markets) could have an unfavorable economic and financial impact.

3 - Risks relating to strong competition in the sectors in which the De' Longhi Group operates: the business in which the De' Longhi Group operates is highly competitive and there is a tendency for the business to be concentrated in a few important players which puts strong pressure on margins.

The market is also characterized by any consumers activities change in the markets in which the Group operates, thus limiting the growth potential as a consequence.

The Group competes with other major international industrial groups. The target markets are highly competitive in terms of product quality, innovation, price, energy saving, reliability, safety and assistance.

The preferred sales channel (the trade) is, furthermore, becoming increasingly more concentrated in a few international players in several of the main markets, including due to the exponential growth of e-commerce.

The Group, therefore, must adopt effective strategies to offset this risk. Toward this end, the strength of the brands and ability to have an adequate retail offering are key.

The inability to address its external environment effectively could have a negative impact on the Group's business prospects, as well as on its economic results and financial position.

4 - Risks involved in relation to supply agreements and strategic alliances: the Group also operates through agreements with strategic partners that foresee the development, production and marketing of products, particularly coffee makers sold in international markets.

Consequently, the Group's failure to maintain or renew these agreements could impact economic results and the financial position. These agreements, which are generating very positive results in terms of growth and development as well as full satisfaction both for De' Longhi Group and for strategic partners, are carefully managed and monitored by top management.

5 - Risks relating to the De' Longhi Group's ability to achieve continuous product innovation: the De' Longhi Group's ability to generate value also depends on the ability of its companies to offer technologically innovative products that respond to market trends.

In this respect, the Group has proved in the past to be a leader in technological innovation and in creating new in-vogue designer products, also thanks to the importance it places on those working in product development and design, which it intends to maintain in the future.

In particular, if the Group were unable to develop and continue to deliver innovative, competitive products relative to its major competitors in terms of price, quality and functionality, amongst others, or if there were delays in the market launch of models strategic to its business, the Group could lose market share, with an adverse impact on its business prospects, as well as on its economic performance and/or its financial position.

6 - Risks relating to patents and trademarks. Given the importance of developing products that are innovative in both technology and design (see point 5 above), the Group pursues a policy of protecting its research and development by registering patents for inventions, utility models and designs in the various markets concerned; similar protection must be assured for the Group's trademarks.

The Group's legal offices are responsible for the legal protection of industrial property rights (patents for inventions, utility models, designs and models as well as trademarks) and constantly monitor and control the situation around the world, using the services of specialist consultants in the various countries concerned.

Such actions cannot absolutely guarantee that the Group's products will not be imitated and furthermore, certain jurisdictions (such as China and the United Arab Emirates) do not protect property rights to the same extent as European law.

The Group's policy is nonetheless based on incurring the necessary costs to ensure that its property rights have the greatest possible global protection in the various markets where it operates.

Moreover, there is no guarantee that protection of the industrial property rights still in the registration process (and, in particular, patents for inventions and utility models) will be actually granted as filed, since the extent of protection may be reduced - even significantly - not only as a result of technical examination by the competent office but also as a result of opposition to the registration and licensing of the rights that might be presented by third parties.

Lastly, although the Group does not believe that its products infringe third-party property rights, it is not possible to exclude that third parties might successfully claim that such infringements exist, including through legal proceedings.

7 - Exchange rate fluctuation risks: The Group does business in many foreign markets and is exposed to the risk of fluctuations in currencies.

The unfavourable trend as well as the aforementioned exposure to the currency risk, might lead to unexpected loss in margins, especially in some specific markets where the subsidiaries of the Group operate.

For the purposes of protecting its income statement and statement of financial position from such fluctuations, the Group adopts a suitable hedging policy and tools, free from speculative connotations.

Hedging is carried out centrally by a special team on the basis of information obtained from a detailed reporting system, using instruments and policies that comply with international accounting standards. The hedging activity is planned each year when the annual budget is approved (or when the three-year plan is approved) and updated periodically based on the exposures and the definition of an effective hedging horizon, in order to minimize the volatility of the currency portfolio and maximize the benefit of the hedge; the financial and trade receivables/payables are also protected. As for the hedging of the economic risk of costs and revenues, the degree of hedging is defined based on market performance and a cost/benefit analysis.

The main currencies of net exposure to which the Company is exposed are the Chinese renminbi and the currencies of the main export markets (the British sterling, the Japanese yen, the Australian dollar, the Polish zloty, the Canadian dollar, etc).

Significant fluctuations in the main currencies could also increase the translation risk stemming from the conversion of financial statements of the Group's foreign subsidiaries, resulting in higher financial charges (so called consolidation risk).

Despite the Company's effort to minimize these risks, sudden currency fluctuations could have an adverse impact on the Company's results and business prospects.

Despite the Company's effort to minimize the abovementioned risk, sudden currency fluctuations could have an adverse impact on the Company's results and business prospects.

8 - Risks relating to manufacturing, commodity prices and supplier relationships.

Production is carried out at facilities in Italy, Romania and China and, therefore, balanced across three different geographic regions which reduces the risk that operations will be interrupted.

The Group's production costs are influenced by the prices of the most important raw materials like steel, plastic and copper. Energy costs may also have a significant impact on production costs, as happened recently when strong inflation, exacerbated, in Europe, by the conflict in Ukraine, drove energy prices higher.

A significant portion of the purchases are made in China; the related risks are associated with production by Chinese subsidiaries that serve as suppliers to the Group, by the network of key third-party suppliers and by suppliers of parts to the Group's manufacturing subsidiaries (see point 2 for the strategic risks of manufacturing in China).

The Group manages these risks through:

a. a permanent evaluation system for the various suppliers, used for decision-making purposes and to identify the reliability of each recurrent supplier in terms of quality and price of the products supplied;

b. assessment of the risk of fluctuation by the Chinese currency against the US dollar, the Group's reference currency which is protected by the Group's hedging policies;

c. review of the financial status of suppliers and hence of the allocation of appropriate production volumes to each supplier;

d. evaluation of the services provided by suppliers in terms of logistics and timeliness of deliveries and of the consequent decisions adopted each time;

e. a network of reliable and trustworthy key suppliers;

f. inspections, prior to product shipment by suppliers, intended to prevent any defects in the quality of products acquired.

g. periodic assessment of the buy/make strategies for the Group's main products taking into account any global market conditions that could result in the need to change the strategy.

Lastly, the Group defends its reputation with suppliers in their dealings with employees. Such caution is duly reflected in contractual dealings and furthermore, every supplier is given a copy of the De' Longhi Ethical Code governing all its activities.

In 2022 a Group Supplier Code of Conduct, which describes the ethical, social and environmental standards that Group suppliers must comply with, was also finalized and shared with suppliers. The Group "Responsible Sourcing Guidelines", which contain the risk assessment principles to be used to evaluate and monitor suppliers' social risk correctly, were also issued.

Nevertheless, it is conceivable that a breach of contract by one or more suppliers to Group companies could have adverse effects on the Group's operations, economic performance, assets and liabilities and financial position.

The price of these raw materials and parts can fluctuate significantly, depending on several factors, including the cyclical nature of the markets concerned, supply conditions and other factors beyond the Group's control and difficult to predict.

The trend in the price of these raw materials and parts is constantly monitored in order to take necessary action to keep the Group competitive.

There is also a potential risk stemming from the dependence on one supplier for a few types of parts used for strategic products: in the face of this risk the Group has begun looking for secondary suppliers and defining an alternative purchase/production strategy.

Lastly, the risk stemming from market situations characterized by anomalies in the supply of raw materials and parts, as well in the market conditions, is addressed by the Group in a timely manner in order to preserve margins and supply chain continuity.

9 - Risks relating to organization and human resources management: The Group's success largely depends on the ability of its executive directors and other members of management to effectively manage the Group and the individual areas of business and on the professionalism of the human resources that it has been able to attract and develop.

The principal risks relating to human resources are linked to the Group's ability to attract, develop, motivate, retain and empower staff who have the necessary talent, values, and specialist and/or managerial skills to satisfy the Group's changing needs.

The loss of such individuals or other key employees without adequate replacement, or the failure to attract and retain new qualified resources could therefore adversely affect the Group's business prospects, as well as its economic performance and/or financial position.

In terms of being able to attract quality resources, the Group's principal companies not only have specialist qualified professional human resources teams, but they also plan actions to improve the quality of working environment for its employees and staff as well as the Group's external image (communication, contact with schools and universities, testimonials, internships, etc.), in some cases using the services of specialist professional firms with a proven track record.

In terms of motivating and developing personnel, actions taken include the strengthening of managerial, specialist, business and regulative competencies, with initiatives that involve managers and staff from different areas of the business.

The salary review process also includes reward systems for employees at various levels in the organization - from the plant worker through to top management and key people - which are linked to the achievement of short-term and/or medium/long term targets.

As far as plant personnel is concerned, the Group operates in China and Italy and in Romania. Having a production facility in Eastern Europe has made it possible to diversify the Group's industrial platform, so as to partly restore the balance in production between the previously dominant China and Europe.

With regards to the Chinese platform, certain risks exist associated with the impact of the Covid-19 pandemic, macroeconomic factors, high turnover of the manufacturing workforce and the difficulty in finding production personnel. More in general, there are many countries in which it is hard to find personnel with adequate professional skills when there is a strong recovery in demand; in a few instances, the gradual aging of the population and the exit from the workforce as a result of retirement, have increased these difficulties.

These risks are managed through the development of incentive systems to foster staff retention (production bonuses and retention bonuses spread over time for workers, wage increases linked to length of service, and incentive schemes for management), policies for recruiting and managing production staff, investment in training and developing more qualified internal resources, improvements in living and working conditions within the various factories (canteens, recreational and leisure activities, internet access).

As for Romania, where the Group has gradually increased its presence over the last few years, currently there are two production plants operating in two distinct areas, also to maximize access to human resources. In 2022 production volumes fell, so the problem of finding personnel didn't materialize. As production volumes return, however, to typical levels any problems in finding personnel could cause slowdowns in production and negatively impact operations, as well as the Group's economic and financial situation.

The health was a critical factor for human resources also, which determined the course of the last three years. In the face of the recent Covid-19 health crisis, the Group defined and implemented an important series of actions in all its branches which aimed to ensure the maximum safety and security of its employees, while also ensuring business continuity.

10 - Risks relating to product quality and product liability: The Group's products have to meet different quality standards according to the different jurisdictions in which they are marketed.

The main risk is that products do not meet the quality standards required by the different regulations in such jurisdictions. This could justify the return of such products, with increased costs of production and an impact on the Group's image that could harm its reputation.

The activities of the De' Longhi Group involve it assuming typical producer liability for damage caused by defective products: part of its sales take place in jurisdictions (like the USA) where the rules governing liability for damage caused by products to people or things are particularly strict.

The Group therefore applies strict standards of control to its products: it has a protocol for managing quality risk that involves a series of activities and procedures in defence of product quality; there is also a special team that controls quality directly in manufacturing units and at supplier locations.

In addition, the Group has product liability insurance that is deemed adequate to cover these risks.

Nonetheless, it is conceivable that such insurance coverage could be inadequate for manufacturing defects in some of the Group's products or in other circumstances. The initiation of significant product liability claims, or the identification of defects in the Group's products, could harm the Group, with adverse consequences for the management and development of its business.

11 - Risks relating to inventory levels and delivery punctuality: In view of the importance of inventory and supply chain management within the Group's organization, certain risks can be hypothesized: in fact, the Group is exposed to a stock level risk, associated with correctly predicting product quantities and assortment for subsequent sale.

In the event the Group did not have an adequate quantity of products available, it could run the risk of failing to adequately and promptly meet customer demand; if, however, the quantity of products exceeds orders, as during 2022, the Group might face the risk of unsold stock or higher than expected stock resulting in charges which could affect working capital and cash flow absorption.

Another risk stems from supply chain management inefficiencies which could compromise customer service. The last two years, specifically, have been characterized by strong supply chain tensions which resulted in significant delays and inflationary pressures which were not easy to foresee, in a situation which was already critical due to the difficulties in procuring the goods needed for production and the energy crisis.

The Group currently has a supply chain division and procedures developed to manage forecasting and planning are integrated in the IT systems which ensures the planning and management of every stage of the supply chain; recently an important program was launched which aims to improve the supply chain procedures. It is in the process of being implemented.

As for the standard of customer service, the Group's procedures require that each customer's individual needs are taken into account.

If the Group is unable to predict and/or respond to issues that could give rise to these risks, there could be adverse consequences for the Group's business, economic performance, assets and liabilities and financial position.

12 - Risks relating to IT systems: The information systems of a complex international group are an important and delicate part of the company's processes.

The risks involved include events that could jeopardise the ability to provide continuous service, the safekeeping of data, obsolescence of telecommunications and data processing technologies.

Cyber-attacks are a threat to any sector and there has been a general, gradual increase in cyber-crimes. Cyber Risk, namely the risk of financial losses, interruptions or damages to an organization's reputation, stemming from accidents (for example, shutting down servers) or intentional acts (for example, theft of sensitive data) which damage the IT system, has, therefore, become increasingly important.

The Group has taken the steps needed to limit the above mentioned risks which include the standard security devices used to protect systems and hardware (from the use of back-up devices to outsourcing with specialized companies). Continuous technological updates are assured by the prevalent use of the SAP platform. While the Group has taken all the steps needed to minimize these risks, catastrophic events that could compromise the information systems cannot be excluded.

The Group has launched a multi-year Cyber Risk Management project in order to analyze any problem areas and take the actions needed to safeguard against this type of risk.

13 - Credit risk: The Group is exposed to credit risk on its trading activities.

The socio-political (or country) risks discussed earlier (see point 2) could also have an impact on credit risk; the same applies to the market risks in relation to the ongoing concentration in the retail business and to the strengthening of the e-commerce channel that may cause the crises of some retailers (see point 3).

Trade credit risk is monitored using the procedures developed for the selection and assessment of the client portfolio, the determination of credit limits, for tracking payment inflows and any credit collection activities. Insurance policies with major insurers must be stipulated and, in a few instances, clients must provide additional guarantees, mainly bank guarantees.

However, these procedures might not be sufficient to prevent losses related to the credit risk, that could affect the Group's result.

14 - Risks arising from the seasonality of sales: The De' Longhi Group's sells, amongst others, seasonal products as air conditioners and portable radiators.

These products, which represent approximately 9% of the total revenues, are typically seasonal with their sales concentrated in a limited period of the year.

Seasonality of sales could adversely affect the Group's business prospects, as well as its economic performance and/or financial position.

15 - Risks relating to changes in the regulatory framework, particularly concerning environmental protection: The Group is subject, in the various jurisdictions in which it operates, to the national and international legal requirements and technical standards applicable to the type of products sold.

Particularly important are safety and energy consumption standards for domestic electrical appliances and regulations on consumer contracts, defective products, minimum warranty periods, recyclability and environmental compatibility.

Although De' Longhi S.p.A. considers that the Group's organization and production comply with current regulations and that the Group has demonstrated over time its ability to anticipate regulatory changes when designing new products, the enactment of additional regulatory requirements applicable to the Group or its products or changes to the legislation currently in force in the sectors in which the Group operates, including at an international level, could require it to adopt stricter standards or affect its freedom of action or strategic decisions in various areas of business.

This could result in compliance costs for its production facilities or products or even limit the Group's operations, with a consequently adverse effect on its business, economic performance, assets and liabilities and financial position.

In particular, any changes in environmental regulatory standards or requirements currently in force and the occurrence of unforeseen or exceptional circumstances, could require the Group to incur unanticipated costs. Such costs could therefore have an adverse impact on the Group's business, economic performance, assets and liabilities and financial position.

16 - Risks relating to environmental damage: The industrial production carried out by the Group with its factories and equipment could, in certain cases of serious faults or breakdown in such equipment, cause damage to third parties, accidents or environmental damage.

Such accidents and damage could also occur in view of the structural characteristics of certain production facilities for which assessments and work are in progress to make them comply with current laws and regulations.

Although the Group has taken the necessary safety precautions and complies with the applicable regulations for preventing these types of risks, if there was an accident or damage to the environment, the Group could be held liable, including criminally, by the people harmed and by the competent authorities, and its production activity could be disrupted, with consequent adverse effects on the company's and/or Group's economic performance, assets and liabilities and financial position.

Although Group companies have taken out insurance policies against environmental damage, with the related coverage considered reasonable in relation to the estimated risk in question, it is nonetheless not possible to exclude the occurrence of damage, in which the compensation payable exceeds the maximum coverage provided by such policies.

17 - Liquidity and financing risks - Interest rate risk: The liquidity risk possibly faced by the Group is the risk of not having the funds needed to fulfil payment obligations arising from operating and investment activities and from the maturity of financial instruments. The Group holds assets and liabilities that are sensitive to interest rate changes and that are necessary to manage its liquidity and financial needs.

It is the Group's policy to maintain a sufficiently large portfolio of counterparties of international repute for the purposes of satisfying its financing and hedging needs.

The Group uses specific policies and procedures for the purposes of monitoring and managing this risk, including the centralized cash management (financial debt and cash management, the raising of medium and long-term finance on capital markets and the obtaining of short-term credit lines that allow wide room for manoeuvre when managing working capital and cash flows). About the interest rate risk, at 31 December 2022 the Group's net financial position is positive and financial debt is mainly medium-long term, in order to take advantage of the favourable market conditions. The Group also has short-term bank credit lines (typically renewed on an annual basis), which are optionally used to finance working capital and other operating needs.

Lastly, a revolving agreement for factoring without recourse is also in place which allows for optimization of collection flows.

In 2022 there was a sudden change in monetary policies which resulted in a significant increase in interest rates.

The management of this risk is centralized and done using the same structure used to manage foreign exchange risk. Nevertheless, sudden fluctuations in interest rates could have an adverse impact on the Group's business prospects, as well on its economic results and/or financial position.

At the date of this report, the Group has one hedging agreement which protects the medium/long term loans from fluctuations in the interest rates and has also created a natural hedge by matching the duration of financial investments with that of financial liabilities.

18 - Compliance and corporate reporting risks:

A. Financial reporting: Risks associated with the reliability of financial reporting, particularly that the information contained in the annual and interim financial reports might not be correct, warrant particular attention, especially for a listed company.

In 2022, the effective application of the risk management system for financial reporting was monitored continuously, as well as assessed periodically, under the guidance of the functions in charge.

For the purposes of ensuring reliable internal financial reporting controls, the Group implemented a system of administrative and accounting procedures which include the accounting policy instructions, principles and updates, as well as other procedures for preparing the consolidated financial statements and the periodic financial reports.

The Group's Corporate functions are responsible for ensuring that other Group companies are aware of and adhere to these procedures.

The control bodies (internal and external) carry out the related audits to the extent of their responsibilities.

Any failure to maintain adequate processes, as well as adequate administrative-accounting and management controls, may result in erroneous financial reporting.

In addition to financial reports, the Group also prepares a Non-Financial Statement based on the GRI-2021 principles and each year instructs the branches as to which non-financial indicators should be reported on.

B. Risks relating to the administrative liability of legal: In compliance with EU directives, Decree 231/2001 has introduced into Italian law special rules applying to the liability of entities for certain offences, where "entities" mean limited liability business enterprises, partnerships or associations, including those without legal status.

Under this legislation and amendments and additions thereto, the Group's main Italian companies have adopted, in accordance with art. 6 of Decree 231/2001, the "Model of organization, management and control" suitable for avoiding the occurrence of such liability at their own expense and the related "Ethical code", intended to apply not only to the Group's Italian companies but also, as far as applicable, to its foreign subsidiaries, since De' Longhi S.p.A. is also answerable, under art. 4 of Decree 231/2001, for offences committed abroad.

Therefore, the company's administrative liability under Decree 231/2001 could exist when this is effectively established as a result of an action brought against one of the Group companies, including the foreign subsidiaries; in such a case, it is not possible to exclude, in addition to the resulting application of penalties, adverse consequences for the company's and/or Group's operations, economic performance, assets and liabilities and financial position.

19 - Related parties: The Group has had and continues to have transactions of a commercial nature with related parties. Such transactions carry conditions that are in line with market ones.

The Company adopted a new set of procedures to govern the Group's transactions with related parties, in compliance with the standards set by the supervisory authorities in CONSOB Regulation 17221 dated 12 March 2010.

The procedures identify those related party transactions subject to specific examination and approval rules, which change according to whether such transactions are above or below defined thresholds. The procedures place particular importance on the role of the independent directors, who must always issue a prior opinion on the proposed transaction (if the transaction qualifies as material, this opinion is binding on the Board of Directors); the independent directors must also be involved in the preliminary examination of material transactions prior to their approval.

These procedures are considered to represent an additional guarantee of the transparency of the De' Longhi Group's operations.

Annual remuneration report

Please refer to the Annual Remuneration Report for all relevant information not contained in the present report.

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

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

	Net equity 31.12.2022	Profit for 2022	Net equity 31.12.2021	Profit for 2021
De' Longhi S.p.A. financial statements	**588,531**	**100,808**	**605,379**	**107,099**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	649,687	59,442	583,331	224,690
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	465,679	5,308	436,660	(5,634)
Elimination of intercompany profits	(40,820)	14,286	(55,097)	(14,406)
Other adjustments	314	(1)	322	-
Consolidated financial statements	**1,663,391**	**179,843**	**1,570,595**	**311,749**
Minority	4,274	2,415	2,018	651
Consolidated financial statements-Group portion	**1,659,117**	**177,428**	**1,568,577**	**311,098**

Treasury shares

At 31 December 2022 the Group, through the parent company De' Longhi S.p.A., held 895,350 treasury shares for a total of €14,534 thousand, purchased in previous years.

During the Shareholders' Meeting held on 20 April 2022, shareholders approved the renewal - after revoking the previous authorization granted by shareholders - of the authorization to purchase and sell treasury shares for up to a maximum of 14.5 million ordinary shares or for an amount which does not exceed one fifth of the share capital, including any shares held by the Company or any of its subsidiaries. The buyback program was approved, in accordance with the law, for a period of up to a maximum of 18 months (namely through 20 October 2023).

Tax consolidation

The Parent Company De' Longhi S.p.A. and a few of the Italian subsidiaries exercised, jointly with the consolidator De Longhi Industrial S.A., the option to adhere to group taxation, referred to as "Domestic Tax Consolidation", as permitted under articles 117 - 129 of the Consolidated Income Tax Act (TUIR) as per Presidential Decree n. 917 of 22 December 1986, and the Decree of the Ministry of Economy and Finance of 1 March 2018, for the three-year period 2022-2024.

Related party transactions

Related party transactions fall within the normal course of business by Group companies.

Information on related party transactions is summarized in Appendix 3 to the Explanatory notes.

Alternative performance indicators

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

More in detail, the non-GAAP measures used include:

- Net industrial margin and EBITDA: the Group uses these measures as financial targets in internal presentations (business plans) and in external presentations (to analysts and investors), since they are a useful way of measuring operating performance by the Group and its individual divisions besides EBIT.

  Net industrial margin is calculated as total revenues minus the cost of materials consumed and of production-related services and payroll.

  EBITDA is an intermediate measure that derives from EBIT after adding back depreciation, amortization and impairment of property, plant and equipment and intangible assets. EBITDA is also presented net of non-recurring items, which are reported separately on the face of the income statement.
- Net working capital: this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, tax liabilities and other payables.
- Net operating working capital: this measure is the sum of inventories and trade receivables, minus trade payables.
- Net capital employed: this measure is the sum of net working capital, intangible assets, property, plant and equipment, equity investments, other non-current receivables, and deferred tax assets, minus deferred tax liabilities, employee severance indemnity and provisions for contingencies and other charges.
- Net financial position: this measure represents financial liabilities less cash and cash equivalents and other financial receivables; the position with banks, net of non-banking items, is also reported. The individual line items in the statement of financial position used to determine this measure are analysed later in this report.

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

Consolidated Non-Financial Statement 2022

Introduction

Based on Legislative Decree n.254/2016, as amended, in implementation of the Directive 95/2014 or the "Barnier Directive", large public entities are required to publish a Non-Financial Statement (NFS) as of FY 2017. This statement provides an opportunity to report on a group of business activities which help to understand the company's structure and business, its performance and its results, as well as its impact: a description of the company's main risks, the policies adopted and the business and organizational models used must be provided. The reporting system guarantees coverage of the most relevant non-financial topics related to five areas: environmental protection, social responsibility, human resources, protection of human rights and fight against corruption and fraud.

Paragraph 1073 of the Budget Law n.145/2018, which took effect as of 30 December 2018, amended Legislative Decree 254 and in addition to disclosing the main risks, entities are also required to describe how the risks are managed.

In accordance with the law, the De' Longhi Group's Consolidated Non-Financial Statement 2022 provides a description of the Company's non-financial qualitative/quantitative performances relative to a group of topics deemed material for the Group and its stakeholders.

Information on the material topics is included in this report: scenario and risks, policies, practices and targets, organizational and business models, as well as the main performance indicators.

The process involved in identifying important impacts and the relative material topics, introduced in the new 2021 GRI Standards, is described in the Note on Methodology.

Description of the business model

A brief description of the De' Longhi Group's business model is provided below with a view to a better understanding of the information provided on the material topics identified for each of the five areas included in the Decree.

De' Longhi S.p.A. (hereinafter also referred to as the "Company" or "Group"), listed on Borsa Italiana's Euronext Milan market, is the holding company of a group of companies active in the manufacture and distribution of coffee making products, food preparation and cooking machines, as well as air treatment and home care products.

More in detail, the Group operates in international markets through 7 brands: De' Longhi, Kenwood, Braun, Ariete, Nutribullet and Magic Bullet (the last two were added following the acquisition of Capital Brands Holding Inc., an American company active in the personal blenders segment), in addition to *Eversys*, a Swiss brand acquired in 2021 active in the professional coffee machine segment.

The impact of Russian-Ukrainian conflict: the Group's management

2022 was a year begun as one of the most relevant geopolitical events seen in the last few years unfolded, the conflict in Ukraine had a resounding impact on the lives of many, on global balances and on the international economic and social framework. The De' Longhi Group was involved both indirectly, as the European economic situation worsened, and directly, as it operates right in those regions which required a particular commitment to ensure that the human rights of all employees and workers were guaranteed.

As this report will explain in greater detail, the Group sought to support its Ukrainian employees from both an organizational standpoint, by helping with relocation process, and an economic standpoint, by guaranteeing salaries and raising funds.

The De' Longhi Group's approach made it possible to address the adverse economic impact adequately; for more information refer to the Report on Operations.

Currently the Company is committed to monitoring the international situation in order to provide more support to the personnel closest to the areas affected by the conflict and move forward with the management of the risk stemming from the ongoing conflict.

De' Longhi's sustainability path

For more than five years, following the publication of the first Consolidated Non-Financial Statement, the De' Longhi Group has included sustainability in its business and involved all the Company's main divisions in this journey. Over the years the De' Longhi Group has implemented a well-defined model for the management of non-financial topics and has formalized specific goals around which its sustainability strategy has been developed. Thanks to the latter, today the Group is able to pursue concrete actions which mitigate its impact and improve its sustainable performances, generating value for both the Group and its stakeholders.

In the wake of a 2021 during which the Group changed its sustainability governance, 2022 marked a year of stabilization; conceived with a view to sustainable success, currently the governance bodies include:

1. the **Control, Risk, Corporate Governance and Sustainability Committee**, already operational in 2019, is a Board committee with preliminary and proactive guidance, as well as advisory, functions;
2. the **Sustainability Steering Committee**, also already operational in 2019, comprised of different department managers, responsible for defining the strategy, as well as the relative sustainability plan;
3. three **Focus Groups** - one for each of the Group's sustainability pillars (People, Products and Processes). A Team Leader was selected for each group who is responsible for the supervision/implementation of projects included in the plan relative to her own area of expertise;
4. a **Group Sustainability Director**.

2022 marked a milestone in De' Longhi's sustainable path as it is the year in which the Group's first **Sustainability Plan** was defined. Approved by the Board of Directors in July 2022, the plan contains a series of initiatives and targets for each of the company's three pillars. It summarizes all of the short-, medium- and long-term initiatives that the Company is committed to in order to actively contribute to the global efforts for a sustainable future. As already mentioned, the Group's sustainability strategy is built around three pillars:

- **Products**, which emphasizes the Group's focus on innovative products, that are durable and energy efficient, made out of recyclable and recycled materials and guarantee a healthy life style for consumers;
- **Processes**, which embraces the entire supply chain and reflects the Group's commitment to the responsible and efficient management of resources, contributing actively to the fight against climate change, without neglecting social responsibility, guaranteeing the constant respect for human rights and working conditions in every phase of production;
- **People**, which focuses on the work done and the investments made to create a stimulating and equitable workplace aiming to attract, motivate and foster the growth of our people, as well as on the projects and actions taken to support the local communities in which the Group operates, helping them to grow and prosper.

Eight areas of commitment have been identified that revolve around these three pillars which further shape the Group's environmental, social and governance topics and contribute to the achievement of the Sustainable Development Goals - SGDs defined by the UN: including the fight against climate change, the promotion of circular economies, inclusion and wellbeing, as well as the production of sustainable products.

In addition to the Sustainability Plan, there is also a **Manifesto**, which was conceived already in 2021: addressed to the Group's people, this document summarizes De' Longhi's commitment to involving the entire internal community. With respect, again, to sustainability De' Longhi participated in a tender of the Ministero dell'Università e della Ricerca (MUR), part of the **Piano Nazionale di Ripresa e Resilienza (PNRR)**, which aims to strengthen the research and development of sustainable technologies. Lastly, in 2022 De' Longhi also participated in the **Italian Green New Deal**, a nationwide tender which provides subsidies and financial concessions to support eco-friendly and circular transition projects.

The Value Chain

The De' Longhi Group's work begins with research, development and product design. These activities are shared across the Group and are carried out by the technical offices based on product line, together with the Marketing and Design Divisions. R&D works transversely and adopts a per business unit approach and not only by brand. In the Hong Kong branch, there is also a technical office responsible for research projects developed in partnership with local providers.

After defining the products to be launched on the market, the Group focuses on the purchase of raw materials and semi-finished goods. Based on the De' Longhi Group's business model the production and assembly of the finished product is done at the six plants located in Italy, Switzerland, Romania and China which covers 60% of sales. The Group also counts on qualified partners, selected based on meticulous quality standards, referred to as "Original Equipment Manufacturers" (hereinafter also referred to as "OEM").

Based on the Group's local for global approach, dedicated groups, specialized in the production of specific product lines, allow the Group to product lines which cover specific market areas and segments.

The production phase is followed by product testing: the main purpose of this activity, managed at each plant by a dedicated team, is to verify that the highest standards for product safety have been applied to all the Group's products. The quality controls are done based on specific internal audits by Quality Dpt.which also include a specific process for verifying the quality of the OEM products.

After the quality control, the products ready to be sold are transported to the Group's logistics hubs, strategically located worldwide and the products' place of departure. The finished products are distributed by providers of logistics services to all the markets covered by the Group's commercial network.

Lastly, the crucial role of Customer Care which provides support and technical assistance to the Group's customers during and after the purchase.

The Group Stakeholders

In 2021 the De' Longhi Group, with the direct involvement of company management, updated the mapping of its stakeholders based on an analysis of the company structure, the value chain, businesses and those activities not strictly related to the latter, but which are an integral part of the Group's reality.

This update, confirmed in 2022, led to the identification of 10 categories of stakeholders, grouped together by the type of stakeholder, expectations, needs and existing relationships with the Group.

The Group interfaces with each group of stakeholders using different methods of engagement and listening based on principles of transparency and fairness, as well as clear and complete information. The latter is shaped by the Group's Code of Ethics and strives to foster the ability to make informed decisions. The main topics related to business activities that emerged through the different listening and communication channels used are reported below:

Stakeholders	Communication/listening channel	Main topics that emerged
Trade associations	Annual meetings, periodic meetings	Consumer rights, workers' rights, environmental performance
Shareholders	Corporate documents /Shareholders' meetings/ Events	Economic performance, business strategies
Local communities and NGO	Periodic meetings, sponsorship of specific initiatives	Sponsorships, social impact, contribution to the community, raising awareness of specific problems
Consumers	Satisfaction questionnaires, test panels, Contact Centers (voice channels, e-mail, chat and social), advertising campaigns, culinary events, Youtube "How to" channel	Customer assistance, product safety and quality, product availability, feedback about ease of use and product satisfaction, privacy
Employees	Employee Engagement Survey, annual performance reviews, periodic meetings to share results, corporate intranet used to access Group information, Group house organ, new HRMS	Organizational clarity, improved management of resources by managers, appreciation of individual contributions to the company, improvement in internal communications and access to information
Suppliers	Contracts, qualifications, assessments and periodic meetings	Way in which supplier relationships are managed
Future generations	-	Reduce emissions and fight climate change
Financial analysts, media	Interviews, meetings, road shows, press conferences	Economic performance, new products/ services/organizational models, specific social initiatives
Commercial partners	Sales meetings, audit	Product safety and quality, flexibility and adaptability to requests
Universities/research institutions	Dedicated meetings, partnerships on different research projects	Recruiting and talent acquisition, recruiting support

The European Union Taxonomy, introduced with EU Regulation 2020/852 (hereinafter the "Regulation") is part of an EU strategy for achieving the European Green Deal targets and making Europe climate neutral by 2050. The EU taxonomy provides a classification system based on which it is possible to define the economic activities that meet certain criteria of eco-sustainability - and, therefore, can be considered "sustainable". More in detail, based on Art. 3 of the Regulation, an economic activity is considered eco-sustainable or "aligned" if it:

- **Conforms to the technical criteria established by the European Commission.** More specifically:
  - **contributes substantially to one or more of the environmental objectives defined** in Article 9 of the Regulation: climate change mitigation and adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, the protection and restoration of biodiversity and ecosystems;
  - **does no significant harm (DNSH)** to any of the above environmental targets;
- **is carried out in way which guarantees the minimum safeguards for human rights**, including the fundamental rights at work as per Art. 18 of the Regulation, recognizing the importance of the rights and international conventions (including of the OECD, the United Nations and the International Labor Organization).

Based on the Regulation, in the first year of reporting (2021) the companies subject to an obligation to publish a Non-Financial Statement, like the De' Longhi Group, shall include in this statement the proportion of Turnover, CapEx and OpEx pertaining to the eligible and non-eligible activities referred to in the first two environmental objectives of the European Taxonomy (relating to Climate Change). With the term "eligible" the Regulation is referring to an economic activity that is "described in the delegated acts […] independent of the fact that this economic activity satisfies one or all of the technical criteria established in the delegated acts".[1]

As of the 2022 reporting period, the regulations are applied fully and, therefore, also apply to the portion of the "taxonomy-aligned" activities, namely of the activities which satisfy all the **criteria listed above (conforms to the technical criteria and guarantees minimum safeguards).**

In this report, therefore, the De' Longhi Group must report on, with regard to the first two environmental objectives adopted formally up until now (Climate Delegated Act - Annex I and Annex II),[2] about how and to what extent its activities can be considered eco-sustainable economic activities pursuant to the EU Taxonomy.

The assessment of the Group's compliance with EU Regulation 2020/852 and the statement with the required quantitative KPI are provided in the following paragraphs.

As this regulation was only recently applied globally and is updated constantly, all the criteria and assumptions used are based on information and requirements available to date and, therefore, could be revised in the future.

The analyses conducted

The De' Longhi Group carried out an in-depth analysis of its activities in order to identify which could be classified, based on the Taxonomy, as potentially capable of contributing to the mitigation and/or adaptation of climate change (the **"eligible"** activities). Based on this analysis the revenue stream generated by the sale of portable air conditioners could be considered an eligible activity under the climate mitigation objective, with regard, specifically, to **Activity 3.5 - Manufacture of devices for energy efficient buildings** of the Regulation. The identification of the sale of these products as eligible stems from the interpretation of the activity in light of one of the criteria for a substantial contribution (item F) which includes the "household appliances" category subject to the European parliament's Regulation 2017/1369 (energy labeling). Furthermore, even though the portable air conditioners are not manufactured in one of the Group's plants, the products are produced by a qualified partner, namely and "Original Equipment Manufacturer" (OEM), based on the technical specifications, including energy performance, defined by De' Longhi.

In addition to the core activities, in order to achieve its sustainability goals, the Group undertook a series of initiatives and projects which, following an analysis of the activities listed in the Climate Delegated Act - Annex 1, Art. 8 Art. 8, 1.1.2.2, item C, relative to the purchase of output from eligible economic activities and individual measures which make it possible for the activities to maintain low levels of carbon emissions, the Group identified the following activities as investments made during the reporting year and eligible pursuant to the Regulation:

1 Eligible economic activity under the Taxonomy: an economic activity described in the delegated acts adopted pursuant to Article 10, paragraph 3, Article 11, paragraph, Article 12, paragraph 2, Article 13, paragraph 2, Article 14, paragraph 2, and Article 15, paragraph 2, of EU Regulation 2020/852, independent of the fact that this economic activity satisfies one or all of the technical criteria established in the delegated acts.

2 The perimeter of analysis for the data included in this report refers solely to the goals for climate mitigation and climate adaptation, as at the time this report was achieved only one Delegated Act (n.2139/2021) relative to the technical criteria for the first two environmental goals had been adopted.

- 3.3 - Manufacture of low-carbon technologies for transport;
- 6.5 - Transport by motorbikes, passenger cars and light commercial vehicles;
- 7.3 - Installation, maintenance and repair of energy efficiency equipment;
- 7.4 - Installation, maintenance and repair of charging stations for electric vehicles in buildings.

The steps taken to **assess the eligibility** of the above activities under the EU Taxonomy are described below.

- **Criteria: substantial contribution to the mitigation of climate change:** the assessment aimed to establish whether or not the single economic activity identified contributes substantially to reaching the climate change mitigation goals shaping the specific quantitative and/or qualitative parameters defined in the Regulation. As a result, specifically, of the analysis of "3.5 - Manufacture of devices for energy efficient buildings", it emerged that a portion of the Group's activities is consistent with the substantial contribution criteria referred to in Item F of this activity (household appliances falling into the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 of the European Parliament and of the Council and delegated acts adopted under that Regulation), as part of the portable air conditioners belongs in one of the higher energy efficient classes (A++), identified in Regulation (EU) 2017/1369;
- **Criteria: Do No Significant Harm (DNSH):** the assessment of compliance with the DNSH criteria referred to in the Delegated Acts aimed to determine whether or not the single activities identified compromise the remaining environmental goals. As the mobile air conditioners are produced by OEM, in order to be aligned with the DNSH under Activity 3.5 the law requires that the producer itself complies with the following criteria:
  - *climate change adaptation:* based on the criteria outlined in Annex A, the organization must identify the physical climate change risks to which the activity is subject and its vulnerability using a specific procedure identified in the Delegated Act;
  - *the sustainable use and protection of water and marine resources:* based on the criteria outlined in Annex B, the risks of environmental harm connected to the protection of water quality and the prevention of water stress in accordance the 2000/60/EU Directive of the European Parliament and the Council must be identified and addressed and a management plan for the use and protection must be prepared;
  - *transition to a circular economy:* the criteria outlined call for an assessment as to the use of techniques in the manufacture of products which support (a) the reuse and use of secondary materials and reused components, (b) design conceived for high durability, recyclability, ease of disassembly and adaptability, (c) management of waste which favors recycling over disposal, (d) the disclosure of potentially dangerous substances, and the traceability, during the entire life cycle. In this regard, the Group adopts, where possible, these practices in its R&D activities and in the manufacture of products. For more information about the ongoing initiatives, refer to the chapter *"Product Quality and Innovation";*
  - *pollution prevention and control:* the criteria outlined in Annex C require that the activity does not result in the production, emission and trade or use of any polluting chemical substances whatsoever;
  - *the protection and restoration of biodiversity and ecosystems:* the criteria outlined in Annex D require that the organization has carried out an Environmental Impact Assessment (VIA) or a 2011/92/UE Directive compliant test.

  In order to comply with the criteria above the Group must assess whether or not the portable air conditioners manufactured by the OEM the Group has selected for this purpose are compliant. Toward this end, given the complexity of the analysis and in light of the recent application of the Regulation, based on a conservative and prudential approach, the Group finds that the production of the air conditioners (Activity 3.5) and the investments made in 2022 are not aligned given the lack of the information needed to assess compliance with the DNSH criteria. The Group, however, is committed to complying with all local environmental regulations in all the Countries in which it operates. For further information, refer to the chapter *"Mitigation of environmental impact".*
- **Criteria: Guarantees minimum safeguards:** the criteria outlined in the Regulation refer to the practices of an organization which aim to comply with the OECD guidelines for international companies and the United Nations principles relative to companies and human rights, including the principles and rights established in the eight basis conventions identified in the ILO Declaration on Fundamental Principles and Rights at Work and the Universal Declaration of Human Rights. The De' Longhi Group pays great attention to the standards and principles referred to in these documents, particularly with regard to consumers, corruption, competition, tax issues and the respect of human rights. With regard to the latter, the Group is committed to guaranteeing ethical business practices which comply with the applicable regulations in all the countries in which it operates, carrying out its activities in accordance with the principles of the Group's Code of Ethics which, as of 2022, is applicable also to its suppliers. In addition to this document, the Group also published "Responsible Sourcing Guidelines" which define the criteria to be used when assessing and monitoring new supplier risks over time. The De' Longhi Group also audits its suppliers periodically in order to assess different social aspects, like the freedom of association and collective bargaining, hours and work conditions, health and safety, child or forced labor, discrimination and training of personnel. For further information refer to the chapters "Ethics and Compliance" and "Supply Chain Management". With regard to protection of consumers, competition, anti-corruption and tax the Group works constantly to prevent and mitigate any potentiallly negative impact. The Group's Code of Ethics, once again, has a key role in this regard, as great attention is paid to consumers and customers, to fair competition, the condemnation of corruption and compliance with the law, reguations and provisions of the competent tax authorities. For futher information refer to the chapter "Ethics and Compliance".

With regard to the assessments made and described above, with a view to a conservative approach and given the lack of all the elements needed to determine alignment, the Group concluded that the sale of air conditioners and the relative investments made in the reporting period 2022, still eligible, are not aligned.

Contextual information relative to the KPI calculation

As required in the Annexes of Delegated Act 2178/2021 of the Regulation, the assumptions and methodologies used to calculate the KPI (Turnover, CapEx and OpEx) for the eligible (or, possibly, aligned) activities are provided below. The methods of calculation, the composition in relation to the different activities provided for in the EU Taxonomy and the quantification process are provided for each of the KPI. In accordance with the Regulation the revenue generated and the costs incurred for intercompany transactions are not taken into account.

Group administrative and accounting divisions, relative to both headquarters and the individual production plants, were involved in the KPI calculations. Based on the indications found in Annex 1 of Delegated Act 2178/2021, they identified the accounting items to be associated with the different KPI, beginning with the items found in the consolidated financial statements.

Furthermore, to date no investment plans for CapEx and OpEx which satisfy the requirements set out in paragraph 1.1.2.2 have been drafted. For this reason, the two KPI do not include any plans for expanding the eligible economic and potentially Taxonomy-aligned economic activities.

TURNOVER

The calculation of the denominator was based on the net sales figure reported in the De' Longhi Group's Annual Report for 2022 which amounted to €3,126,940,000. The item used specifically to determine the denominator was the revenue from the Group's core business, namely the revenue from the sale of goods and services, net of discounts, VAT or any other direct tax: more specifically, the item included refers to "Revenues from client contracts" which is already net of the components attributable to cash discounts and rebates.

The numerator was calculated based on the portion of revenues generated by the sale of portable air conditioners net of discounts, rebates, VAT and additional taxes. The turnover generated by this category of merchandise is associated with Activity 3.5 - ***Manufacture of devices for energy efficient buildings.***

CAPEX

The denominator was determined based on the increases in value of tangible, intangible and right of use of assets (as per IFRS 16) recorded during 2022 which amounted to €157,059,000.

The numerator was based on the asset additions reported during the year and any investments relating to points a) and c) as defined in Annex I of the Delegated Act, § 1.1.2.2. More specifically, for Activity 3.5 - Manufacture of devices for energy efficient buildings, investments relating to R&D were identified.

With regard to the purchase of output from eligible economic activities and individual measures which make it possible for the activities to maintain low levels of carbon emissions, the Group identified investments in IFRS 16 tangible and right of use assets which pertained to the following activities:

- 6.5 - Transport by motorbikes, passenger cars and light commercial vehicles;
- 7.3 - Installation, maintenance and repair of energy efficiency equipment;
- 7.4 - Installation, maintenance and repair of charging stations for electric vehicles in buildings.

Extraction of the data associated with the above categories was carried out to the extent allowed by the information made available by the management systems used at the legal entities comprising the consolidation perimeter.

OPEX

The denominator was calculated based on the consolidated operating figures which amounted to €94,998,000.

The OpEx numerator was determined based on the expenses associated with the eligible activities listed above. More in detail:

- 3.5 - Manufacture of devices for energy efficient buildings: R&D expenses which were not capitalized;
- 7.3 - Installation, maintenance and repair of energy efficiency equipment: maintenance expenses incurred for building improvements.

The method used to determine the OpEx related to Item c) was similar to the one used for CapEx.

				Substantial contribution						DNSH Criteria										
Economic activities	**Activity code**	**Turnover (thousands of euro)**	**Percentage of turnover (%)**	**Climate change mitigation (%)**	**Climate change adaptation (%)**	**Water and marine resources (%)**	**Circular economy (%)**	**Pollution (%)**	**Biodiversity and ecosystems (%)**	**Climate change mitigation (S/N)**	**Climate change adaptation (S/N)**	**Water and marine resources (S/N)**	**Circular economy (S/N)**	**Pollution (S/N)**	**Biodiversity and ecosystems (S/N)**	**Guarantees the minimum safeguards protection guarantees salvaguardia (S/N)**	**Portion of turnover aligned with the Taxonomy, 2022 (%)**	**Portion of turnover aligned with the Taxonomy, 2021**	**Enabling category (activity) (A)**	**Transitional category (activity) (T)**
A. Taxonomy eligible activities			4.06%																	
A.1 Eco-sustainable activities (taxonomy aligned)																		N/A [3]		
Turnover from eco-sustainable activities (A.1)		0	0%	0%	0%	0%	0%	0%	0%								0%	N/A [3]		
A.2 Eligible taxonomy activities but not eco-sustainable (not taxonomy aligned)																				
Manufacture of devices for energy efficient buildings	3,5	126,857	4.06%																	
Turnover from taxonomy eligible activities but not eco-sustainable (activities not aligned with the taxonomy) (A.2)		126,857	4.06%																	
Total (A.1 + A.2)		**126,857**	**4.06%**														**0%**			
B. Ineligible taxonomy activities																				
Turnover from ineligible taxonomy activities (B)		3,000,083	95.94%																	
Total (A + B)		**3,126,940**	**100%**																	

3 Given that this is the first year of application of the Regulation relating to reporting on Taxonomy aligned activities, comparison figures will be provided as of the next reporting year.

				Substantial contribution						DNSH criteria										
Economic activities	**Codes**	**CapEx (thousands of euro)**	**CapEx (%)**	**Climate change mitigation (%)**	**Climate change adaptation (%)**	**Water and marine resources (%)**	**Circular economy (%)**	**Pollution (%)**	**Biodiversity and ecosystems (%)**	**Climate change mitigation (S/N)**	**Climate change adaptation (S/N)**	**Water and marine resources (S/N)**	**Circular economy (S/N)**	**Pollution (S/N)**	**Biodiversity and ecosystems (S/N)**	**Guarantees the minimum safeguards (S/N)**	**Portion of Taxonomy aligned Capex, 2022 (%)**	**Portion of Taxonomy aligned Capex, 2021**	**Enabling category (activity) (A)**	**Transitional category (activity) (T)**
A. Taxonomy eligible activities			0.52%																	
A.1 Eco-sustainable activities (taxonomy aligned)																		N/A[4]		
Eco-sustainable CapEx (A.1)	N/A	0	0%	0%	0%	0%	0%	0%	0%								0%	N/A[4]		
A.2 Eligible activities under the taxonomy but not eco-sustainable (not taxonomy aligned)																				
Manufacture of devices for energy efficient buildings	3,5	191	0.12%																	
Transport by motorbikes, passenger cars and light commercial vehicles	6,5	481	0.31%																	
Installation, maintenance and repair of energy efficiency equipment	7,3	128	0.08%																	
Installation, maintenance and repair of charging stations for electric vehicles in buildings	7,4	14	0.01%																	
Capex for taxonomy eligible activities, but not eco-sus-tainable (activities not aligned to the taxonomy) (A.2)		814	0.52%																	
Total (A.1 + A.2)		**814**	**0.52%**														**0%**			
B. Ineligible taxonomy activities																				
CapEx for ineligible taxonomy activities (B)		156,245	99.48%																	
Total (A + B)		**157,059**	**100%**																	

4 Given that this is the first year of application of the Regulation relating to reporting on Taxonomy aligned activities, comparison figures will be provided as of the next reporting year.

				Substantial contribution						DNSH Criteria										
Economic activities	**Codes**	**OpEx (thousands of euro)**	**OpEx (%)**	**Climate change mitigation (%)**	**Climate change adaptation (%)**	**Water and marine resources (%)**	**Circular economy (%)**	**Pollution (%)**	**Biodiversity and ecosystems (%)**	**Climate change mitigation (S/N)**	**Climate change adaptation (S/N)**	**Water and marine resources (S/N)**	**Circular economy (S/N)**	**Pollution (S/N)**	**Biodiversity and ecosystems (S/N)**	**Guarantees the minimum safeguards (S/N)**	**Portion of Taxonomy aligned OpEx, 2022 (%)**	**Portion of Taxonomy aligned OpEx, 2021**	**Enabling category (activity) (A)**	**Transitional category (activity) (T)**
A. Taxonomy eligible activities			0.84%																	
A.1 Eco-sustainable activities (Opex Aligned)																		N/A[5]		
Eco-sustainable activities (A.1)	N/A	0	0%	0%	0%	0%	0%	0%	0%								0%	N/A[5]		
A.2 Eligible activities under the taxonomy but not eco-sustainable (not taxonomy aligned)																				
Manufacture of devices for energy efficient buildings	3,5	769	0.81%																	
Installation, maintenance and repair of energy efficiency equipment	7,3	25	0.03%																	
OpEx for eligible taxonomy activities but not eco-sustainable (not taxonomy aligned) (A.2)		794	0.84%																	
Total (A.1 + A.2)		**794**	**0.84%**																	
B. Ineligible taxonomy activities																				
OpEx for ineligible taxonomy activities (B)		94,204	99.16%																	
Total (A + B)		**94,998**	**100%**																	

5 Given that this is the first year of application of the Regulation relating to reporting on Taxonomy aligned activities, comparison figures will be provided as of the next reporting year.

Accounting Policy for the KPI

The Annexes to the Delegated Act require that the percentage of the Turnover, CapEx and OpEx associated with the eligible and aligned activities be provided. As mentioned in prior paragraphs, in order to comply with this legal obligation, the Group identified its eligible activities and, once it was assessed whether they might correspond to the alignment criteria, calculated the three KPI.

The following paragraphs provide the details called for in the Annexes to the Commission's Regulation (EU) 2178/2021 relative to the KPI which non-financial companies must provide in the Non-Financial Statement.

TURNOVER

The Turnover KPI was calculated as the portion of the net sales deriving from the services associated with activities identified as eligible (numerator) divided by net sales (denominator). Net sales is defined as the amount generated by the rendering of services net discounts and any value added tax directly associated with the turnover. With a view to avoiding any double counting, the intercompany transactions were not included in the KPI calculation. Consequently, the KPI denominator corresponds to "Revenues from customer contracts" found in Note 1 of the Group's consolidated financial statements - and is in line with the provisions of IAS 1, par.82(a), mentioned in Annex I of the Delegated Act § 1.1.1.

CAPEX

The denominator of the CapEx KPI was calculated based on the asset additions made in the reporting period to tangible, intangible and right-of-use assets.

The approach used to extract the data was based on an analysis of managerial consolidated reports. In accordance with the international accounting standards and the provisions of the annexes to the Delegated Act 2178/2021, for the purposes of the calculation the Group took into account the IAS 16 tangible assets, the IAS 38 intangible assets - excluding goodwill - and the IFRS 16 right-of-use assets - as was the case in the consolidated annual report.

OPEX

The denominator of the OpEx KPI was calculated based on the Group's consolidated managerial operating results and the costs associated specifically with categories referred to in the Annex of Delegated Act 2178/2021. More in detail:

- The technical costs include the R&D expenses stemming from internal and external projects which were not capitalized.
- The right-of-use assets, only items recognized in the income statement relating to short-term leases, namely with a duration of less than 12 months and, therefore, exempt from IFRS 16 application.
- Third party maintenance which includes routine maintenance of assets and building renovations.

Scenario and risks

For information on the ethics and compliance risks, as well as the relative risk management, please refer to the section "Risk management and Internal Control System relating to the financial reporting process" found in the Report on Operations.

For information on the management of the risks connected to ethics and compliance, please also refer to the table "The main risks associated with non-financial issues and management methods" in the Note on Methodology.

Business and organizational model

Based on the Group's management and organizational model, the Legal and Internal Audit divisions work with the Financial Reporting Officer to the extent of her responsibilities, to guarantee compliance with the law and regulations. Both divisions also work with the Quality Division with respect to product and the qualifications/screening of suppliers (§Product quality and innovation).

Internal Audit, together with the Financial Reporting Officer, check and assess the control system in all the Group's branches and audit the accounting processes and procedures, as well as compliance with Law 262 relating to financial reporting processes. The purpose of these periodic audits is to ensure that the company documents are reliable, complete, accurate and timely, as well as compliant with the Group's operating, administrative and accounting policies. The audits are carried out with a view to gradually covering all the companies, paying particular attention to the most relevant ones based on the audit plan coordinated with the Director in charge and the Control, Risk, Corporate Governance and Sustainability Committee.

Internal Audit and the Financial Reporting Officer also supervise the Enterprise Risk Management (ERM) system, implemented and updated by the Group over the years, which focuses on the assessment and monitoring of company risks. As part of this project, a number of activities were carried out over the last few years in order to integrate the ERM matrix with the risks perceived in each area by local and international management. These include the development of a dynamic Risk Management platform, which was rolled out over the first few months of 2021 at the Group's most relevant companies; the platform roll-out continued in 2022, as planned, and today is in place at a majority of the Group's companies. This phase will be completed in 2023 once the roll-out at Capital Brands and Eversys is over.

In the last year the risks linked to sustainability included on the platform, along with the climate change risks identified already in 2021, were updated. More specifically these include: circularity, product sustainability, compliance with health and safety measures, environmental damage caused by operations, human rights, energy management, impact on the stakeholders' sustainability interests, local communities, involvement of the communities in sustainability initiatives and fair trade practices.

This platform is dynamic and allows the personnel involved to update the selection of risks in a timely and independent manner, under the strict supervision of Internal Audit and the Financial Reporting Officer, as well as make changes to the risk map based on the user profile in order to guarantee the utmost control and separation of roles. The new risk platform was also integrated directly with the SAP Success Factor for organizational purposes. A specific e-learning module was created so that all individuals subject to assessments receive adequate training.

Lastly, even though the Group does not have commercial relationships with public administrations, in order to increase control over compliance with internal regulations and the laws in effect in the different countries of operation, as of 2015 the Group also carries out other controls relating to any episodes of abuse of authority and corruption.

The Group also ensures that, in addition to transparency and compliance, **models of conduct** have been defined and implemented with a view to minimizing the risk associated with illicit behavior, subject to sanctions under the law and regulations. Toward this end, all the Group companies received **"Corporate Governance Guidelines"**, since 2018. The administrative directors of the different branches are responsible for the application of these guidelines which call for adhesion to the Group's Code of Ethics and define a system for the delegation of spending authority.

Lastly, the De' Longhi Group's Italian companies also adopted an **"Organizational, Management and Control Model"** pursuant to and in accordance with Legislative Decree 231/2001 which calls for the appointment of an independent Supervisory Board to oversee the correct functioning and compliance with the Model, last updated in 2021. In 2019 the Group had already adopted an internal control system which monitors the flow of information and the processes controlled by the system used to prevent the crimes indicated in Legislative Decree 231.

In order to monitor Group transactions with related parties and the relative risk, the Parent Company also defined a procedure for the related party transactions subject to specific rules and approval, in accordance with the principles established by the Supervisory Authorities in CONSOB Regulation n. 17221 of 12 March 2010.

Policies and objectives

The De' Longhi Group's **Code of Ethics** defines the ethical standards that must be adhered to by employees and in the course of all the relationships between the company and third parties, which aspire to legality, transparency, fairness, integrity and professionalism, as well as protection of privacy. In order to allow new hires to familiarize themselves with these standards, as of 2020 short induction sessions are held during which the highlights of the Code of Ethics and the 231 Model are illustrated. All new employees in Italy must provide signed confirmation of having received and read the Code of Ethics.

As part of the **Anti-Fraud Program** defined based on the guidelines of the Association of Certified Fraud Examiners (ACFE), in 2022 the Group moved forward with the improvements called for in prior years.

With regard to *the whistleblowing* platform, in 2022 the platform was again fully operative, and may be used by employees, suppliers and customers to send an anonymous report. In order to do this, a dominion outside the company systems was created which sends the encrypted information directly to the Whistleblowing Committee, a body comprising four Company members charged with analyzing and carrying out any further investigations of the reports received.

No significant reports have ever been received since the implementation of the system in 2020.

With regard to ***cyber security***, the Group began working on a master data protection policy in 2020 and in 2022 new security systems were introduced and an alert system was implemented. These automated systems help to identify, analyze and prioritize any notices received, as well as guarantee that the correct parties receive the notices. The team charged with the management of this system comprises IT personnel, as well as members of the legal team. With a view to further increasing cyber security, the Group worked to increase awareness in this regard, supported by mandatory training in phishing.

Key figures

No violations of the anti-corruption laws were recorded in the three-year reporting period (2020-22).

Information relating to persons apprised of the company policies and procedures, as well as the employees who received anti-corruption training in the three-year period 2020-2022, is shown below.

Category	Europe*			America & Asia-Pacific**			MEIA [6]			De' Longhi Group		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Number of people with whom the company's anti-corruption procedure and policies were shared												
Managers	187	177	162	75	67	82	8	4	4	270	248	248
White collars	1,805	1,745	1,829	821	511	598	51	25	25	2,677	2,281	2,452
Blue collars	4,034	4,481	918	3,819	3,820	1,771	-	-	-	7,853	8,301	2,689
Total employees	**6,026**	**6,646**	**2,909**	**4,715**	**4,398**	**2,451**	**59**	**29**	**29**	**10,800**	**11,073**	**5,389**
Commercial partners	-	-	-	-	-	-	-	-	-	-		
Employees who received anti-corruption training												
Managers	35	22	44	8	9	7	-	-	-	43	31	51
White collars	282	326	340	26	114	108	-	-	-	308	440	448
Blue collars	-	-	2	7,560	9,355	2,090	-	-	-	7,560	9,355	2,092
Total employees	**317**	**348**	**386**	**7,594**	**9,478**	**2,205**	**-**	**-**	**-**	**7,911**	**9,826**	**2,591**

6 MEIA refers to the countries located in the Middle East, India and Africa.

* *The figures for Italy are included in Europe.

** The hours of training for new hires, which addresses business ethics and anti-corruption, are taken into consideration for America & Asia-Pacific.

In 2022 the Board of Directors did not receive any anti-corruption training or information about policies and procedures in this regard.

No legal complaints relating to anti-competitive, anti-trust and monopolistic practices were filed in the three-year period 2020-22.

Similarly, no economic or in-kind contributions were made to political parties, elected representatives or people looking to hold political office in the three-year reporting period.

As in the two-year period 2020-22, no complaints relating to discrimination were filed.

Lastly, consistent with full disclosure in tax matters, the Group operates in full transparency and in accordance with local and international tax laws.

Scenario and risks

The Group's international presence puts it in a privileged position to benefit from multiple cultures and traditions; fueled by this advantage, the De' Longhi Groups works every day to nurture the sense of belonging and **personal satisfaction**, as well as protect the **health and safety of the workplace.**

Ambition, courage, passion, expertise, heritage, teamwork and mutual respect are just some of the values that inspire the Group's people: loyalty and trustworthiness are the cardinal principles that motivate employees and contribute to the creation of an environment in which diversity adds value and helps to prevent any form of discrimination.

These values also form the foundation for the professional growth of its people and their sense of personal satisfaction, as well as the promotion of a safe, healthy workplace, which is key to retaining and attracting resources and talent, as well as business continuity.

The Group's exceptional handling of the unusual and unexpected scenario created by the Russian-Ukrainian conflict provides significant testimony to the cohesiveness of its people who moved quickly to provide economic and emotional support to the colleagues closest to the war zones.

For more detailed information on the risks connected to human resources management and risk management, please refer to the section "Risk factors for the De' Longhi Group", specifically paragraph 9 (Risks relating to the organization and human resources management).

With regard to the measures used to prevent and manage human resource risks please also refer to the table "The main risks associated with non-financial issues and management methods" in the Note on Methodology.

Business and organizational model

The Chief Corporate Services Officer coordinates the Human Resources Division which is responsible for the management and development of human resources for the entire Group; local supervision is carried out by HR Managers in both the main geographical areas and the Group's more structured branches. They have many duties which include, mainly, all administrative aspects of employee relationships, the management and development of internal resources, talent acquisition development and retention, as well as internal communications, labor union relations, development of important initiatives tied to both employee engagement and the organization of workplace safety.

The corporate HR structure was defined based on the organizational changes made by the Group in the last few years. It calls for the breakdown of human resources management based on three macro-clusters, focused on the supervision of functional areas, as well as specific expertise:

- Brand Headquarters and commercial organization Europe
- Corporate Staff, Services and Organization of Operations Europe
- Commercial organization Asia Pacific and Operations China

The Director of Group Human Resources and Organization is responsible for the supervision of the remaining commercial units.

A global function which is crucial to the Group's activities, operational since 2019, is **Talent Acquisition and Employer Branding** which allowed the Group to structure a more integrated recruiting process. A number of initiatives were developed in association with the employer branding strategy focused on increasing the recognition of the Group globally: these include updating the *People* section of the corporate website and the introduction of a new global Linkedin page, which substituted the previous pages dedicated to single countries. There was a strong increase in followers and contacts in 2022: the number of followers, in fact went from 49 thousand at year-end 2021 to 58.3 thousand at year-end 2022 (+19%). The most successful social strategies resulted in the publication of 92 posts relating to 5 topics: CSR, Training, Career, Business and Innovation. In relation to this social network, the Group is developing a project which calls for more active involvement of the employees who will become veritable *brand ambassadors*, who will represent the Group all over the world and share its philosophy. Toward this end, for years De' Longhi has cultivated strategic relationships with Italy's best universities, like **Milano's Politecnico** and **Bocconi University**: in order to strengthen the tie with the academic world, structured partnerships were established with a view not only to attract the best talents, but also to increase research and training in collaboration with the two schools.

The partnership with Politecnico, for example, calls for the Group's participation in events and training courses tied to innovation, research and development. In the two-year period 2021-2022, the ***Graduate Program***, developed with and implemented by Bocconi University, offered a 12-month work experience to around 10 new graduates from schools throughout Italy; of these 12 months, half were spent at the Treviso headquarters, while the remainder was spent at the Group's international branches. The goal was to then provide the young talent with a place within the company, at headquarters or at an international branch. Lastly, by participating in Career Days and Roundtables, the Group had the chance to get to know and interact with students from other important Italian colleges, such as Ca' Foscari University in Venice, University of Udine and University of Padua.

2022 marked the launch of Staying Together which calls for a global remote working policy and a communication and training plan focused on supporting a Group approach to the new ways of working and addressing the key aspects of working life. The first step was taken in December when a survey was conducted in order to understand the most important areas for DeLonghi's people with respect to the new ways of working. The next steps in 2023 will, therefore, involve defining a dedicated plan of action.

In the last few years there has also been a rapid digitalization of the activities related to human resources. The PULSE platform, active already for several years, also allows Group employees to create personalized learning plans based on specific needs and access an on-line catalogue and e-learning courses.

The biggest novelties in 2022 include the launch of two new platforms, Speex and Of Course Me: the first provides language courses globally and the second provides information and useful materials on a vast range of topics, which allows employees to get to know more about topics they are interested in and which help professional development by creating an ad hoc training course. In 2022, the Global Catalogue offered 24 courses in soft skills and managerial skills, and obtained an average satisfaction score from around 450 employees of 4.2 out 5.

With regard again to ad hoc training, in 2022 the **Digital Lab**, designed to develop employees' digital expertise and sustain the growth of the Group's e-commerce channel, continued. During the second phase of this training program, all employees had access to 10 webinars focused on the development of a digital mindset and the use of technology.

During the year that just closed, 15 Operations employees had the opportunity to participate in a course to obtain the **Six Sigma Green Belt**, during which they were introduced to the tools and methods needed to be part of the data-driven improvement cycles used to optimize and standardize company processes. The course involved 1500 hours of training and the completion of 4 final projects. All participants also received certification at the end.

During the last year the Group also actively promoted the **Diversity and Inclusion** project, with a view to guaranteeing equal opportunity and no discrimination. The project focuses on two areas: the first is focused on assessing how many women are part of the organizational structures, paying particular attention to the gender pay gap and any corrective actions needed; the other aimed to understand the women's work experience in the company, in order to identify specific priorities and needs. In 2022 the first qualitative and quantitative analyses, aiming to identify any significant trends in the promotion of gender equality in the organization, were carried out; a roadmap was also defined and a Group-wide plan of action developed to promote gender equality in each phase of the work experience, along with metrics to be used to measure and monitor the progress made in this regard.

The Human Resources Division also guides the global **performance appraisal** process conceived to promote employee development through the use of a dedicated system which fosters an open and honest dialogue between managers and employees. This process was recently updated in 2022 with the definitive launch, after being tested in 2021, of FORWARD. Participation was excellent, reaching around 80%.

The new performance appraisal cycle is structured in three main phases, the first of which - called Set Up - calls for the identification of individual targets and the definition of a growth plan that is consistent with the company strategy and the team goals. In the second phase - called Sync - growth becomes an ongoing and interactive process thanks to the use of regularly scheduled checkpoints for feedback and self-reflection. Contrary to the past, the feedback is not only about the supervisor - subordinate relationship, but addresses the entire organization. The final phase - or Wrap Up - represents the moment of assessment, of understanding what needs to be improved and highlighting individual talents: at the end of the year this phase, in fact, takes into account observations of different stakeholders which allows the manager to provide a more complete, objective and constructive evaluation. In the first year of the Forward launch, around 80% of company personnel globally completed the first phase of the process.

Conflict in Ukraine: the measures taken to protect the Group's personnel

Its global presence inevitably exposed the De' Longhi Group to the geopolitical and humanitarian issues linked to the Russian-Ukrainian conflict shocked the world in the first few months of 2022. Guaranteeing the safety of its employees was, from the very beginning, the Group's top priority and support was immediately provided to the local employees. The Group activated a task force in Poland in order to provide support to its colleagues and their families fleeing Ukraine. The jobs and salaries of all the Ukrainian employees who decided to remain in the country were also guaranteed, while initial assistance and a one-off stipend was also given to all those who decided to leave their jobs.

Fund raising was also begun which was open to all Group employees who wished to contribute to the support of their colleagues in Ukraine. The Group matched any funds donated which were then distributed to around 30 colleagues at the Ukrainian colleagues in what was a very emotional moment for the Group, which highlighted the strength of community and of people taking care of one another.

Human Resources is also supported by individuals in specific positions charged with improving work-life balance and protecting workers' health and safety such as the Head of the Prevention, Protection and Environment Department in Italy, Switzerland, China and Romania where the Group's production plants are located. Their responsibilities include assessing the risks related to the activities carried out by the Group employees and implementing any improvements needed including with a view to improving the ergonomics of the work stations in the plants and offices.

In terms of employee health and safety, in 2022 the Group continued to pay great attention to the Covid-19 crisis and the anti-contagion measures adopted in 2020 and 2021 were maintained for a good part of the year. It was only when there was a consistent drop in the number of infections and changes in the law, that it was deemed opportune to gradually reduce the scope of these measures. A new Group smart working policy took effect as of August. This policy aims to transform the obligation of reduced in-person working in order to limit the risk of contagion, into an opportunity for a new approach to working which further improves employees' work-life balance.

With a view, once more, to guaranteeing and improving the health and safety of its people, the Group began work on a plan for risk mitigation and further improvement in workplace safety. The activity, carried out by cross-divisional HR/Operations team focused on the characteristics and risks relating to production organization and the supply chain: the goal is to define a multi-year, step-by-step path which reinforces a "Zero accident mindset". The team also selected three key KPIs to be used to monitor the progress being made toward the "zero accident" goal.

Looking at comfort in the workplace, consistent with past years, in 2022 further investments were made in ergonomic and in machinery which automates a few processes along the production lines which reduce the employees' use of force when moving merchandise considerably.

The security system was also audited in 2022. Any incidents are managed locally by human resources and the legal division which, in certain instances, will also involve the Supervisory Board.

Policies and objectives

The Group's Code of Ethics dedicates an entire section to the management of human resources which testifies to the great focus on people, appreciated for both the professional and personal contribution they make every day to the achievement of the company's strategic goals. Particular attention is paid to the promoting equality opportunities throughout the recruitment process, in the work place and in professional advancement, avoiding any and all forms of discrimination with the respect to its employees and staff members. The Code of Ethics also condemns undocumented working relationships, any form of exploitation (including child labor) and any undue advantage over workers.

With regard specifically to the health and safety of workers, the Code of Ethics also requires that each employee pay the utmost attention to carrying out his/her duties, adhering strictly to all of the safety and preventive measures in place, while also complying with all the instructions and directives relating to a safe and healthy workplace. A health and safety policy was formalized for the Mignagola plant in Treviso, Italy and in Cluj and Salonta, Romania after having adopted an operating system which complies with the international standard, ISO45001. At the plant in Sierre (Switzerland), which complies with the ISO 450001:2018 standard, is in place.

Some time ago the Group formalized a policy dedicated to the integrated management of topics relating to human resources including, for example, the compensation of the Board of Directors and the Executives with Strategic Responsibilities. Furthermore, consistent with the process of standardizing processes across the Group, in 2019 a new Group MBO policy had already been adopted, which aims, on the one hand, establish a link between compensation and performance by rewarding the results obtained and, on other, strengthen the sense of belonging to the Group and Group identity.

Key figures

The Group had 8,555 employees at 31 December 2022, a decrease of 17% compared to the prior year. This direct and indirect effects of the global market conditions had a bigger impact on employment at the Chinese plants. Women represent 51% of the De' Longhi Group's workforce, in line with the prior year. 93% of the employees have permanent contracts, higher than in the prior year (88%).

Employees, by type of contract	Italy			Europe			America & Asia-Pacific			MEIA			De' Longhi Group		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Number of employees by contract type															
Permanent positions	1,651	1,708	1,710	4,284	4,624	3,837	2,621	2,710	2,388	51	58	52	8,607	9,100	7,987
women	*646*	*676*	*684*	*2,617*	*2,776*	*2,271*	*1,250*	*1,273*	*1,110*	*22*	*23*	*21*	*4,535*	*4,748*	*4,086*
men	*1,005*	*1,032*	*1,026*	*1,667*	*1,848*	*1,566*	*1,371*	*1,437*	*1,278*	*29*	*35*	*31*	*4,072*	*4,352*	*3,901*
Temporary positions	34	31	22	131	417	171	605	803	374	1	1	1	771	1,252	568
women	*17*	*17*	*15*	*76*	*211*	*61*	*273*	*358*	*200*	*1*	-	*1*	*367*	*586*	*277*
men	*17*	*14*	*7*	*55*	*206*	*110*	*332*	*445*	*174*	-	*1*	-	*404*	*666*	*291*
Total	**1,685**	**1,739**	**1,732**	**4,415**	**5,041**	**4,008**	**3,226**	**3,513**	**2,762**	**52**	**59**	**53**	**9,378**	**10,352**	**8,555**
Number of employees by contract type															
Full-time	1,567	1,637	1,635	4,302	4,784	3,778	3,214	3,484	2,752	51	58	52	9,134	9,963	8,217
women	*549*	*594*	*604*	*2,601*	*2,789*	*2,155*	*1,512*	*1,613*	*1,301*	*22*	*23*	*21*	*4,684*	*5,019*	*4,081*
men	*1,018*	*1,043*	*1,031*	*1,701*	*1,995*	*1,623*	*1,702*	*1,871*	*1,451*	*29*	*35*	*31*	*4,450*	*4,944*	*4,136*
Part-time	118	102	97	113	257	230	12	29	10	1	1	1	244	389	338
women	*114*	*99*	*95*	*92*	*197*	*180*	*11*	*18*	*9*	*1*	-	*1*	*218*	*314*	*285*
men	*4*	*3*	*2*	*21*	*60*	*50*	*1*	*11*	*1*	-	*1*	-	*26*	*75*	*53*
Total	**1,685**	**1,739**	**1,732**	**4,415**	**5,041**	**4,008**	**3,226**	**3,513**	**2,762**	**52**	**59**	**53**	**9,378**	**10,352**	**8,555**
Number of employees by gender															
Total women	**663**	**693**	**699**	**2,693**	**2,987**	**2,332**	**1,523**	**1,631**	**1,310**	**23**	**23**	**22**	**4,902**	**5,334**	**4,363**
Total men	**1,022**	**1,046**	**1,033**	**1,722**	**2,054**	**1,676**	**1,703**	**1,882**	**1,452**	**29**	**36**	**31**	**4,476**	**5,018**	**4,192**

During the year the Group hired approximately 376 contract workers at the production plants.

Breakdown of the workforce		Unit of measure	De' Longhi Group 2020	De' Longhi Group 2021	De' Longhi Group 2022
Manager					
Men	< 30 years	%	-	-	-
	>30 < 50 years	%	1.7%	2%	1.9%
	> 50 years	%	1.3%	1.2%	1.4%
Total men		**%**	**2.5%**	**3.2%**	**3.3%**
Women	< 30 years	%	0.1%	-	-
	>30 < 50 years	%	0.7%	0.7%	0.7%
	> 50 years	%	0.2%	0.1%	0.2%
Total women		**%**	**0.7%**	**0.9%**	**0.9%**
Total		**%**	**3.2%**	**4.1%**	**4.2%**
White collars					
Men	< 30 years	%	1.5%	2.3%	2.8%
	>30 < 50 years	%	10.8%	10.2%	13.3%
	> 50 years	%	3.4%	3.4%	4.2%
Total men		**%**	**19.2%**	**15.9%**	**20.3%**
Women	< 30 years	%	2.1%	2.4%	3.0%
	>30 < 50 years	%	9.1%	9.1%	11.2%
	> 50 years	%	2.1%	2.1%	2.5%
Total women		**%**	**15.6%**	**13.5%**	**16.8%**
Total		**%**	**34.9%**	**29.4%**	**37%**
Blue collars					
Men	< 30 years	%	7.4%	7.7%	4.5%
	>30 < 50 years	%	15.5%	15.5%	14.6%
	> 50 years	%	6.5%	6.2%	6.4%
Total men		**%**	**28.3%**	**29.4%**	**25.5%**
Women	< 30 years	%	7.3%	6.7%	4.6%
	>30 < 50 years	%	23.7%	22.5%	20.8%
	> 50 years	%	7.4%	7.9%	7.8%
Total women		**%**	**32.9%**	**37.1%**	**33.2%**
Total		**%**	**61.2%**	**66.5%**	**58.7%**

In 2022, the De' Longhi Group's BoD comprised 6 men and 5 women, of which around 90% over the age of 50.

Composition of the Parent Company's BoD		Unit of measure	Italy		
			2020	2021	2022
Men	< 30 years	n	-	-	-
	>30 < 50 years	n	1	-	-
	> 50 years	n	7	8	6
Total men		**n**	**8**	**8**	**6**
Women	< 30 years	n	-	-	-
	>30 < 50 years	n	1	1	1
	> 50 years	n	3	3	4
Total women		**n**	**4**	**4**	**5**
Total		**n**	**12**	**12**	**11**

The success of the De' Longhi Group's products lies with its people. In order to foster their knowledge and expertise, as well as ensure adequate training in terms of health and safety, in 2022 the De' Longhi Group provided an average of 23 hours of training to each employee (+ 6% compared to 2021).

Training	Unit of measure	De' Longhi Group		
		2020	2021	2022
Average hours per employee	H	23.7	21.7	23

Formazione	Unit of measure	De' Longhi Group		
		2020	2021	2022
Training by job level				
Average hours for managers	h	15.2	14.3	15.5
Average hours for blue collars	h	10.3	17.6	19.9
Average hours for white collars	h	29.8	23.9	25.5
Training by gender				
Average hours for women	h	25.9	20.3	21.8
Average hours for men	h	21.2	23.1	24.3

With regard to health and safety, the Group recorded a total of 54 injuries over a total of almost 19 million hours worked in 2022. The figure, consistent the Group's overall performance, is 34% lower than in the prior year.

The Group's rate of injuries also fell, for the same reason, from 3.9% in 2021 to 2.9% in 2022.

Injuries and rate of injury by geographic area		Italy			Europe			America & Asia-Pacific			MEIA		
		2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Total hours worked	h.000	2,527	2,887	2,799	6,256	8,285	7,356	11,125	9,935	8,595	109	119	121
Injuries	n.	10	13	16	6	20	10	34	49	26	-	-	2
In transit using means organized by the Group	*n.*	-	-	-	*4*	*4*	-	-	-	-	-	-	-
Serious injuries	n.	-	-	-	-	-	-	-	-	-	-	-	-
Fatal injuries	n.	-	-	-	-	-	-	-	-	-	-	-	-
Occupational disease	n.	4	1	2	-	-	-	-	1	-	-	-	-
Accident rate	**-**	**4.0**	**4.5**	**5.7**	**1.0**	**2.4**	**1.3**	**3.1**	**4.9**	**3.0**	**-**	**-**	**16.4**
Rate of serious accidents	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Rate of mortality	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Rate of occupational disease	**-**	**1.6**	**0.3**	**0.7**	**-**	**-**	**-**	**-**	**0.1**	**-**	**-**	**-**	**-**

Group injuries and accident rates		De' Longhi Group		
		2020	2021	2022
Total hours worked	h.000	20,017	21,227	18,873
Accidents	n.	50	82	54
In transit using means organized by the Group	*n.*	*4*	*4*	-
Serious accidents	n.	-	-	-
Fatal accidents	n.	-	-	-
Occupational disease	n.	4	2	2
Accident rate	**-**	**2.5**	**3.9**	**2.9**
Rate of serious accidents	**-**	**-**	**-**	**-**
Rate of mortality	**-**	**-**	**-**	**-**
Rate of occupational disease	**-**	**0.2**	**0.1**	**0.1**

Infortuni e indici infortunistici dei contrattisti operanti presso gli stabilimenti produttivi		De' Longhi Group		
		2020	2021	2022
Total hours worked	h.000	2,644	5,343	2,120
Accidents	n.	4	12	14
In transit using means organized by the Group	*n.*	-	*7*	*5*
Serious accidents	n.	-	-	-
Fatal accidents	n.	-	-	-
Accident rate	**-**	**1.5**	**2.2**	**6.6**
Rate of serious accidents	**-**	**-**	**-**	**-**
Rate of mortality	**-**	**-**	**-**	**-**

Scenario and risks

The De' Longhi Group has always guaranteed a business model focused on products of the highest quality, key to maintaining consumer confidence and the brands' reputation in all its markets, as well as essential to long-term profitability and business continuity. A global player, the Group must continuously address a complex and varied regulatory environment which requires that particular attention be paid to compliance with the product quality standards applied in the different jurisdictions. Toward this end, based on the local for global approach adopted by the Company, all the products distributed must comply with the most stringent standards applicable in the numerous countries where the Group is present. Examples of the most well-known international regulations include EU Regulation n. 1907/2007 or REACH (Registration, Evaluation, Authorization and Restrictions of Chemicals) and the RoHS (Restrictions of Hazardous Substances) directive 2002/95/EC, both of which the Group's companies comply with even though the scope of application is strictly European.

The Group also assumes the manufacturers' responsibilities for damages caused by defective products. In these instances, the laws and regulations can be particularly severe in some jurisdictions, like the United States, the UK and Australia. In the United States and Australia, for example, as a result of the new regulations introduced a few years ago relating to the energy efficiency of portable air conditioners, the entire range of products distributed by the Group in the two markets had to be adjusted to in order to comply with the new level of energy efficiency.

The adequacy and effectiveness of the practices mentioned above are guaranteed by Product Safety&Liability, a Group team that interfaces with both the technical departments and the branches, through the Legal divisions, working to prevent product risks, as well as manage any market complaints or reports generated internally. In 2022, thanks to expansion of this team, the Group succeeded in giving further impetus to preventive control activities and gained greater operational control of any reports received.

The manufacturer is also responsible for providing correct product information which may vary from country to country. In the United States, for example, the De' Longhi Group is subject to "Proposition 65" based on which the presence of any hazardous substances must be indicated on the packaging and warning labels used.

For more information about the risks connected to quality and product innovation, as well as risk management, please refer to the section "Risk factors for the De' Longhi Group", specifically paragraphs 5 (Risks relating to the De' Longhi Group's ability to achieve continuous product innovation), 6 (Risks relating to patents and trademarks) and 10 (Risks relating to product quality and product liability).

For more information on the measures used to prevent and manage risks relating to product quality and innovation, please refer to the table "The main risks associated with non-financial issues and management methods" in the Note on Methodology.

Business and organizational model

Thanks to the more than 500 people divided into teams with different competencies, the De' Longhi Group's Quality Division is able to supervise all the legal aspects of the current laws and regulations relating to **product and food safety.** These teams include Regulatory Affairs which monitors any changes in international regulations and laws relating to products and contributes to development also by working with the Group's different technical

divisions. The Quality Division also defines the guidelines for product control which can be used by all Group companies. The corporate provisions defined are then adopted and applied locally by dedicated teams which operate on two levels: on the one hand, they work to monitor the quality of both the products which come from external suppliers and the ones made internally; on the other they monitor the quality of product categories being developed and when market complaints are received. The controls are carried out already during the design phase in order to prevent any anomalies or product malfunctions, as well as ensure that the highest safety and qualitative standards are achieved.

With regard to the production plants in China and Europe, including Eversys, the organizational model adopted by the Group was ISO 9001 certified, another tool that can be used to monitor product quality.

Looking at food safety, an ISO 22000 certified management model, which helps to ensure hygienic and sanitary conditions for food and the products that it has contact with, was implemented at the Mignagola and Cluj plants. The 22000 standard, which is based on the HACCP principles and the Codex Alimentarius, focuses on identifying and managing possible risks, preventing accidents along the entire production chain, as well as assessing the compliance of products with laws and regulations. In all the other production facilities, the Group adopted an organizational model which, in addition to the same standard, is informed by the ***Good Hygienic Practices*** (GHP) and the ISO 1672-2 standard for food safety. The model was also developed in accordance with the **ISO 22005** product traceability standards and requirements in order to provide, for each component and finished product, information relating to the supplier and the client recipient of the product.

Furthermore, during the pre-production phase compliance with the highest safety standards of all the Group's products is certified by third parties in order to further guarantee compliance with applicable regulations and laws. The Quality Division also monitors the production quality of its suppliers through specific audits (§ Supply chain management).

Lastly, with regard to **product information**, the technical departments work with the Marketing Division to ensure that the labels and booklets created comply with the regulations specific of all the countries where the products are distributed. More in detail, the Group pays careful attention to the product booklets and labels which, in order to meet the legal obligations must comply with specific requirements, including, for example, the need to include the product's country of origin and the presence of any refrigerants in the household appliances distributed by the Group. Instructions relating to how to safely use and dispose of the product at the end of its life cycle must also be provided in the product manuals.

The Operations and Technology Division oversees innovation and product design and is charged with developing well designed products that are easy to use and multifunctional. The product designs for each of the Group's brands should combine several elements, like ergonomics, silence and safety, without overlooking the use of high quality materials and technologies which, at the same time, enhance energy efficiency and correct food safety. The Group has always invested in the research and development of products that are made to last over time, thanks also to parts that are easy to disassemble and clean.

As for innovation, the recent market trends have driven a noticeable increase in product digitalization which led the Group to invest in innovative solutions (see the section "Connected products").

Specific NPD (New Project Development) procedures provide the entire De' Longhi Group with guidelines for the design of new products. These procedures are monitored by the Marketing and Design divisions, as well as the technical offices, comprised of a total of more than 450 people spread out between the offices in Italy, the UK and the Dongguan plant in China. These offices, together with the Quality Division's Regulatory Team, develop solutions which comply with applicable laws. The Group's local for global approach calls for the development of products which comply with the most stringent standards applicable in the more than one hundred countries in which the Group's products are distributed.

The partnerships between Operations and Technology, several prestigious Italian and international universities, as well as a few commercial partners for which the De' Longhi Group designs and manufactures a collection of coffee products, allows for the constant development of innovative products. In 2022, the partnership with Italian universities focused on product design and improving the user experience gave birth to the ***"Eco-Design Guidelines"*** developed in collaboration with Milan's Politecnico. The goal of the guidelines developed with the Milanese university is to provide the Group with new knowledge and tools to be in product development and ensure that the new products are innovative, efficient and environmentally friendly. More specifically, a few strategic guidelines were defined which, among other things, aim to minimize energy consumption during use, facilitate the recycling of the materials used, as well as disassembly.

The Group protects the design of new products and solutions through specific patents managed centrally by headquarters. There is an office in the Hong Kong branch which is in charge of research projects developed in partnership with local suppliers.

Policies and objectives

One of the De' Longhi Group's founding values is the importance of product excellence which is guaranteed by ongoing research and development, focused, among other things, on the safety and wellbeing of the consumer. In the Code of Ethics, updated for the last time in 2018, the Group commits to guaranteeing the highest quality standards for consumers and clients: the aspects considered during the design and manufacture of excellent products include price and durability, as well as the maximum environmental compatibility.

Lastly, some time ago the Group adopted a group-wide **Quality Policy** which reinforces the commitment to the development and distribution of safe products which comply with all current laws and regulations and meet the highest expectations of end consumers.

Key figures

The qualitative efficiency of this process is assessed based on the First Time Quality Indicator (FTQ) which looks at the type of defects, functional or esthetic, linked to the single product. More in detail, the indicator expresses the number of perfect products as a percentage of total production. In the three-year period 2020-2022, the overall FTQ was stable confirming the Group's excellent performance. A second indicator, used to monitor product quality is the Service Call Rate (SCR) which measures the machines repaired in the first year under warranty and gives the level of defectiveness within two years after the purchase. The overall SCR in 2022 was slightly higher than in 2021.

In the three-year reporting period there were two instances of non-compliance related to product safety, one of which in 2022. The first instance, in 2022, relates to a voluntary market recall of an accessory ("Julienne Disc"), supplied with two models of Kenwood brand food processors in light of the risk that a component might detach. This action was carried out in agreement with the competent authorities in the countries involved (21). The second instance took place last year when a few Comfort products, manufactured by a third party supplier and distributed by the Group in the USA, Canada and Mexico, were taken off the market due to possible excessive overheating. The recall was carried out and managed directly by the third-party supplier in agreement with the local authorities.

In 2022 there was one instance of noncompliance relating to product information and labeling involving an Ariete brand product with incomplete documentation. Even though the lack of information did not create a consumer health risk, as a result of the report submitted by the Italian Chamber of Commerce, the Group was fined. In the two-year period 2020-2021 there were a total of three instances of noncompliance: the first, recorded in Italy (in 2020) and ended with a warning, is explained by the labeling an Ariete brand product which did not have the name and address of the manufacturer on the label. The other two (recorded in 2021) were resolved by paying a fine agreed upon by the parties. Both instances involved Capital Brands.

In 2022, as in prior years, the Group continued with its investments in research and development aiming to enhance its capacity for innovation (please refer to the section "Research and development - quality control" for more information).

A few of the product designs which exemplify De' Longhi Group innovation are described below:

Connected products

As in prior years, in 2022 the De' Longhi Group continued to invest in the development of sophisticated solutions which guarantee connectivity and ease-of-use through digital technologies like Wi-Fi, Bluetooth and touch screens. The variety of systems allows for both greater product personalization and facilitates the monitoring and prevention of malfunctions and, consequently, provide more efficient and customer care.

Over the last few years, a series of air conditioners has been developed for the European market which, in addition to being connected to specifics apps, incorporates innovative technologies capable of locating the user (thanks to a geofencing system) and optimize consumption. As for the coffee segment, distribution continued of the "Primadonna Soul", the Group's first fully automatic machine that can be connected via Wi-Fi and managed through an application downloaded on the user's smartphone.

Various food preparation and comfort product lines featuring innovative user interfaces and connectivity have become standard: these include a series of Apple Homekit products for heaters distributed in Japan, as well as a dehumidifier which can be connected via Wi-Fi that is sold in Europe.

Durable and detachable products

During the development phase, coffee machines are subject to numerous tests relating to the durability of components and the finished products. More in detail, thousands of drinks are made under standard conditions in order to verify product reliability and durability. If for the La Maestosa and La Specialista models initiatives aiming to further improve durability, which already today is optimal, were ongoing, the repairability of the Nespresso brand models is monitored already during the planning phase. In order to accommodate the needs for machines that are easier to repair and require less time to substitute parts, in 2020 a project had already been started to modify the frame of the La Specialista coffee machines.

Similar projects have also been ongoing for the Kenwood brand kitchen machines, with a view to standardizing internal parts and reducing the number of parts in order to guarantee simpler and more effective repairs, thanks also to the use of more sustainable and functional solutions.

In addition to quality and durability, it is clear that one of the De' Longhi Group's objectives is to make products that are easier to repair, thanks to qualities like ease of disassembly, the ability to interchange parts across products from the same family (which has been the focus of many R&D activities over the last three years).

The great commitment to the development of products with these characteristics was confirmed also by the Red Dot award received by a number of Braun products like the New TexStyle 7 Pro, the PowerBlend 9 and the MultiQuick MQ 7. This recognition attests to the qualitative value that focusing on different criteria, including product durability, has.

Lastly, we would like to point out that the fully automatic coffee machines are equipped with patented systems which facilitate washing with water, without having to use detergents and lubricants, while the milk system is cleaned using steam and hot water at the end of each use so that any remaining milk can be stored in the refrigerator and used again.

Energy efficient and low GHG emissions products

The research and development of increasingly energy efficient products is not only a must for the De' Longhi Group, it is also a topic that is widely discussed by the general public and subject to changing regulations.

With regard to coffee, in 2022, as was the case in 2021, almost all fully automatic De' Longhi coffee machines are at least class A,[7] as are all the Lattissima and manual machines with electronic controls like the Dedica machine. In 2022, the commitment to more energy efficient coffee machines led to a study of ways to reduce the time needed for automatic shutdowns, optimize consumption during the stand-by phase reaching levels which are half the regulatory minimum and develop an innovative heating system for the filter cup. The development of the latter was carried out during the year in partnership with Milan's Politecnico which resulted in the production of a prototype of a manual machine with a magnetic induction system which rendered the heating system more efficient.

In 2021 the Lattissima One Evo model had already received an A+ energy class rating, the same energy class that the Nespresso platform machines belong to, thanks mainly to a decrease in the use of aluminum which made it possible to make a lighter, more energy efficient boiler. In addition to the Nespresso machines and the Lattissima One Evo, the weight of the boiler was also reduced in semi-automatic machines, like La Specialista Arte, and in fully automatic machines. The reduced

7 Beginning in 2009, the FEA (Swiss Association of the domestic appliances industry) in agreement with the Swiss authorities, introduced the energy label for espresso machines, which became mandatory in 2014 for all machines sold in the Swiss market. In this context, the De' Longhi Group has decided to extend the certification in accordance with the standard EN 60661/2014 "Methods for measuring the performance of domestic coffee machines" to all coffee machines, regardless of the distribution market. The energy label proposed in the Swiss agreement classifies espresso machines on the basis of their energy efficiency on a scale that goes from class D to A +++.

weight of the thermo-block made it possible to reduce energy and water consumption noticeably. Also, for many years all the fully automatic machines have been available in "Ecomode" which makes it possible to save energy during the warm-up phase; this function, along with the stand-by functions available for all product families, guarantee energy consumption that is lower than regulatory limits. All the manual coffee machines, which typically consume more energy than the fully automatic machines, are equipped with a patented De' Longhi system that makes it possible to cut off the power supply or turn off automatically after a period of inactivity, resulting in energy savings.

With regard to comfort, the migration of the whole range of European portable air conditioners to refrigerant propane gas was completed several years ago. This refrigerant has significant environmental advantages as it is a natural gas which has a lower impact on global warming (Global Warming Potential - GWP). In the US market, where the use of this gas is illegal, in 2021 the Group completed the migration of all the air conditioners to refrigerant synthetic R32 gas, which has a lower GWP impact compared to the gases used previously; while it is not as efficient as propane, it represents the best possible solution allowed under US law. These activities were the continuation of what was done already, beginning in 2018, to substitute the refrigerant gas used in the refrigerant circuits of products for the European market with propane gas in accordance with EU regulation n. 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases.

Healthy lifestyle products

The De' Longhi Group's strategies for new product development include promoting healthy lifestyles, consistent with recent health trends and increasingly healthy eating habits. This has resulted in the willing of maintaining the principle nutritional elements of food unchanged.

All the De' Longhi brand coffee machines, fully automatic and manual, meet these needs perfectly; thanks to the electronically controlled boiler temperature these machines maintain the brewing temperature within the limits recommended in international sector standards. In the last few years, the Group has also started a partnership with the University of Padua which resulted in the development of different innovations, like a coffee machine that can make drinks using plant-based milk in order to meet consumers' new food needs and a structured "vibro-chemical" system which allows for an even flow of ground coffee which provides optimal flavor and aroma.

The quest for products that meet consumers' healthy food needs also drove the development of Kenwood brand products. Thanks to the Scrolling Technology, the Pure Juice line is able to reduce the overheating and oxidation of ingredients making it possible to extract juice from fruits and vegetables without compromising the nutritional properties. A number of initiatives relating to health were already begun at the beginning of the three-year reporting period, including the Multifry fryers which cook food using hot air. This reduces the use of vegetable oils (and, therefore, fat) and the environmental impact related to the disposal of the cooking oils used.

Already in 2021 the Braun and Kenwood teams also worked to promote an online advertising campaign aiming to raise the awareness of consumers in relation to food waste and help them adopt sustainable modes of behavior.

Scenario and risks

The loyalty built over time with customers and the high quality of the products distributed lie at the foundation of the **De' Longhi Group's brand reputation**. These aspects are cultivated in different ways, including clear and honest communication before the purchase to post-sales assistance capable of understanding and quickly responding to the end consumers' needs, particularly with regard to the protection of the customer's privacy.

While meeting the needs of the end consumer, the Group complies with the laws relating to consumer protection, including minimum product warranty periods, environmental compatibility and the recyclability of the materials used and management of problems stemming from any defects. The protection of data and consumer privacy is of primary importance to the Group: the greatest risks in this regard are represented by elements such as the obsolescence of telecommunication technologies and data processing.

For more information about risk management and the risks related to consumer relations, please refer to the table "The main risks associated with non-financial issues and management methods" in the Note on Methodology.

Business and organization model

The De' Longhi Group's external communication is managed by the corporate Marketing and Communication Division which operates by brands, both at corporate and at local marketing offices level. There is also a Customer Care division which is responsible for supporting the end consumer in the various phases of the customer journey and defining the strategy to be implemented by all the Group's branches. The division uses global contact and technical assistance centers, which are primarily outsourced. These organizations provide a service which is essential to customer care and strive to increase customer satisfaction and maximize product durability.

In 2020, as Covid-19 spread, the contact centers were subject to growing pressure explained by the use of remote working and the higher volume of contacts with customers across all the channels: phone calls, e-mail and chats. The higher volumes largely reflect online sales and the lack of in-person shopping during the pandemic. The trend described and the need for more resources was a challenge which the Group managed also by adjusting the technological infrastructure in order to guarantee top quality service.

In 2021 the roll-out of the CRM cloud for customer (SAP C4C), dedicated to the management of interactions with end consumers, continued. The modern tool, based on the multi-model database SAP HANA, fits perfectly with the other elements of the CRM, guaranteeing process optimization and traceability in customer relations. As for service, by implementing a control dashboard for the KPI, developed specifically using SAP Analytic Cloud, the Group benefitted from better control, in terms of speed, accuracy and qualitative detail, in all repairs. This made it possible for the Group to pursue one of the its top priorities, namely reduce the average product repair time which was 10% lower than in the prior year.

In order to gather and analyze the Group's product reviews submitted by customers through the websites of the main retailers selling the Group's products, in 2022 the use of Wonderflow, a VoC management (Voice of Customer) tool was increased. This program, operational since 2020, makes it possible to combine the reviews coming from more than 65 retail channels and 15 countries worldwide, covering three continents (Europe, Asia Pacific and America). This technology also makes it possible to combine these reviews with the customers' direct feedback collected using the CRM. The use of this tool, based on Big Data Analysis, allowed for further improvement in the Group's listening strength, making "actionable feedback" on hundreds of thousands of communications relative to the Group's different product categories possible. This also makes it possible to create geographic clusters, monitor *performance* and define ways to improve the organization's efficiency, increase the quality of products and services, which helps to increase customer satisfaction.

2022 was a particularly important year for Customer Care: during the year another transformation project was launched which made it possible for Customer Care to be even more in tune with customers' expectations, increasingly demanding for the communication that the digital transformation provides. The improvements made reflect two analyses: on the one hand, numerous stakeholders were involved, present both domestically and in the branches; on the other, a benchmark analysis of the companies active and not active in the sector but with best practice customer care. As a result of this analysis, the Group's customer care strategy was redefined.

Looking at self service, in the wake of the pilot project launched in the UK last year, in 2022 an AI-powered tool was activated in the English-speaking countries which uses artificial intelligence to provide customers with simple and immediate replies to their queries. This tool is able to identify questions for which the answer has yet to be defined and propose solutions which, once checked by a team of specialists, will be made available to users. This helps to expand the Company's knowledge-base. To date the service is active in the UK, Australia, New Zealand and the United States and, thanks to the use of translation systems, the goal is to activate it in Italy and Germany, also.

The last three years, albeit for different reasons, have put significant pressure on the technical assistance services. The difficulties encountered, however, did not have a negative impact on repair times which were actually lower. The system, comprised of approximately 1,800 service centers worldwide (of which 300 in Italy), the majority of which outsourced, showed great resilience. The system, however, showed great resilience: despite the decreased availability of parts due to supply chain disruptions, it was possible to maintain high quality service at a limited cost. This happened thanks also to the investments the Group makes every year in direct repair facilities. In 2021, for example, the Group's largest repair center, located in Germany, was expanded. After an analysis was made of the technical and logistic processes in 2021, in 2022 the installed repair capacity was 50% higher at roughly 60 thousand machines per year.

In addition to sharing joint guidelines and standards, Customer Care constantly monitors the quality of the support service teams and contact centers through inspections and analysis of the KPI. In order to guarantee the best service, specific training sessions are offered periodically to employees and specialized partners, held primarily online thanks to the availability of e-learning platforms. Similar to 2021, the periodic visits of repair centers, interrupted due to pandemic restrictions, continued. Lastly, the information provided by consumers is stored on Google Cloud Platform webservers. The security of this platform is guaranteed by Google's modern service technologies, as well as Google's commitment to compliance with data protection laws and the main international standards for information security (ISO 27001) and cloud services (ISO 27017 and ISO 27018).

Policies and objectives

In order to improve the longevity of the products and the customer experience, the De' Longhi Group works constantly to improve the assistance it provides to its clients, in line with the consumer codes defined inside the Countries in which it operates.

While a specific policy has yet to be formalized, the Group has always focused on improving its analysis and understanding of the consumers' most common requests, paying particular attention to product disclosures, as well as after sales assistance. Toward this end, in 2022 the customer feedback analysis was even more accurate thanks to the use of the C4C platform which strengthened the ability to understand and make timely data driven decisions. This platform makes it possible to carry out intuitive text analytics, text mining, sentiment analysis and rating breakdown of the information provided by the European and international retailers, gathering information on both the Group's and the competitors' products. In this way, the Group can investigate different competitive aspects and achieve a more detailed analysis.

The Group's Code of Ethics has an important role in internal and external communications, as it is particularly focused on consumers and customers and listening to their needs is considered to be a driving force behind the ability to provide increasingly better solutions which both anticipate, or even influence, new market trends. The Group, therefore, works to guarantee that relationships with customers are professional, timely, attentive, open, respectful, collaborative and fueled by a passion that ensures the highest quality, as well as the best level of service possible.

Based on the Code of Ethics the disclosures made both inside and outside the Group must comply with the law, regulations, as well as professional best practices, and be clear, transparent, timely and accurate. Lastly, the Group is committed to protecting the confidentiality of the information and data in its possession, stated explicitly in the Code of Ethics and in compliance with current laws and regulations relating to customers and consumers. No specific policies have yet to be formalized for either of these areas.

Key figures

No data breaches occurred in 2022. In 2021 there was one data breach. More in detail, a notice of non-compliance was received from the Italian authorities relative to the resale of the PEC service for the De' Longhi Group companies which affected the data of 5 people. Toward this end, the authorities were informed immediately and the Group is still waiting to hear about any developments. In 2020 there were no such breaches.

Looking at the service provided to end consumers, as mentioned above the average repair time was slightly higher due to the difficulties encountered in finding spare parts on the market, as well as the strong increase in sales volumes. The quality of the repairs made by technical assistance was monitored based on the First Time Fix (FTF) indicator which measures the percentage of repaired products that did not need further repairs in the six months following completion of the initial repair as a percentage of total product repairs. In 2022 the FTF was largely unchanged with respect to the previous years, coming in at around 95%, which indicates that almost all the products received adequate, quality repairs. This indicator is not linked to the speed of repairs and, therefore, was not impacted by COVID nor by the difficulties in finding materials.

As for instances of noncompliance in marketing and communications, in 2022 there was only one instance of non-compliance, which at the date of this NFS had yet to be confirmed by the Italian Minister of Health, relating to a Braun product which was not labeled properly.

In 2021 there were two instances of non-compliance: in the first instance, the Italian Minister of Health filed a complaint relative to an Ariete product alleging that the chemical substance used by the product was registered as a detergent and not a disinfectant. The Ministry asked that all the product disclosures and marketing material relative to this product be changed, eliminating any and all references to the product's disinfecting actions.

The second instance of non-compliance involved Capital Brands and resulted in a fine agreed upon between the parties.

The were no instances of non-compliance in 2020.

Scenario and risks

Preventing and managing the risks associated with the supply chain is essential to ensuring the continuity of the Group's business; toward this end, the Group encourages its suppliers to adhere to the best practices for product quality, working conditions, human rights, health, safety and environmental responsibility.

The De' Longhi Group's value chain comprises six plants located in Italy, Switzerland, Romania and China where the manufacturing and assembly of finished products is done. This activity covers 60% of sales and is supported by the OEM *(Original Equipment Manufacturers)*.

After approximately three years since the inception of the Covid-19 pandemic, during which a revision of the tools used to assess and monitor the supply chain risks was necessary, in 2022 the operational hurdles stemming from the local restrictions, the closing of borders and health risks diminished, with the exception of the Chinese plants were a few difficulties still exist due to the legal restrictions which did not always allow for easy access to the country during the year. New operating measures were, however, introduced in order to address the risks connected to the outbreak of the Russian-Ukrainian conflict. While it wasn't necessary to rethink organizational procedures, problems like higher costs, particularly relative to energy occurred, and a revised production schedule was introduced. For more information about the supply chain risks and the relative management, refer to Item 8 "(Risks relating to manufacturing, commodity prices and supplier relationships). of the section "Risk factors for the De' Longhi Group".

For more information on the measures used to prevent and manage supply chain risks please also refer to the table "The main risks associated with non-financial issues and management methods" in the Note on Methodology.

Business and organizational model

Supply chain management is carried out by the Supply Chain Division, together with Quality and Purchasing, with a view to ensuring business continuity, compliance with the highest quality standards and environmental, as well as social, requirements.

In order to respond to the specific needs of the different markets in which the Group operates effectively and quickly, three offices are involved in monitoring and supporting the providers of finished products based on product category and proximity to production: the offices focused on coffee and irons are in Italy; motor-driven products are managed through the UK office, while in Hong Kong the focus is on comfort.

Management of the materials for components (quantity and logistics) needed for production in Europe is entrusted to two teams of the Supply Chain Division, one in Italy and one in Romania. Management of materials in the Chinese plants is supervised directly by the plant directors with the support of three purchasing offices broken down by product category.

The Quality Division periodically audits and investigates the quality of the finished products and also conducts audits in order to ensure protection of human rights and compliance, beginning in 2019, with the main environmental regulations, as well as the values and principles included in the Group's Code of Ethics which, as of 2022, is applicable to all suppliers and not only the suppliers of finished goods. The Group's Code of Ethics was, therefore, sent in Italian, English and Chinese, and subsequently uploaded onto the vendor portal. In the future the vendors will be subject to audits and specific controls related to the content of the Code. In the latter part of 2022 the ***"Responsible sourcing guidelines"***, which define the criteria to be used when assessing the risk associated with all the Group's new vendors, were also published on the vendor portal. In this way, the Group is able to verify the situation of each vendor completely and, by updating the assessment criteria each year, guarantee that the risks are being monitored correctly.

The social and environmental audits are done of the suppliers of the Chinese plants in accordance with the international standard SA 8000 (Social Accountability). More in detail, the audits make it possible to investigate a multitude of different social aspects including, for example, freedom of association and collective bargaining, work hours, work conditions, health and safety, child labor, forced labor, discrimination and training of personnel; the audits are typically carried out every two years with respect to both the initial and subsequent monitoring phases. In addition to the social accountability audits already carried out, environmental audits have also been carried out for a number of years. Environmental criteria were, therefore, added to the checklist of the Social Accountability audits which include: verification that the supplier has a management system in line with the ISO 14001 standard, with regard to issues like emissions, and waste management, in particular.

The information gathered, any corrective measures and the relative follow-up are logged into a specific system which monitors supplier updates and obligations. This assessment process is formalized and monitored based on a specific process which, beginning in 2019, established officially that all new suppliers are subject to the SCOC (Social Accountability Code of Conduct).

Thanks to the easing of the emergency measures implement in the face of the Covid-19 pandemic, in 2022 more than 90% of the vendor audits were done in-person, and no longer remotely; moreover, out of the total vendor audits conducted in 2022, six involved new vendors.

Product quality is assessed based on a group of specific indicators:

1. ***Technical Factory Audit* (TFA):** measures the effectiveness of the vendor's processes and evaluates the results of tests relating to product life.

   This type of audit is conducted every year and focuses on both the initial qualification, as well as subsequent periodic monitoring of vendors. As mentioned above, the checklist for this type of audit includes a section dedicated to environmental issues.

2. ***Quality Evaluation* (QE):** measures product quality based on statistical sampling of each single lot.

3. ***On Time Delivery* (OTD):** measures the delivery time of the supplier and, more specifically, the difference between the delivery date agreed upon and the actual one.

4. ***Order Fill Rate* (OFR):** measures the ability of the supplier to refill the entire quantity requested by the Group.

The assessments of product quality are included in a **vendor rating** which is used to classify partners in four categories - preferred, approved, probation and exit plan - as well as evaluate the structure and intensity of partnerships in the future, with a view also to continuous improvement.

Policies and objectives

The relationships between the De' Longhi Group and its vendors are governed by the Group's Code of Ethics which states the criteria that these relationships are subject to; more in detail, based on the Code the relationships with suppliers should be conducted in accordance with the law and applicable regulations, as well as the general principles defined in the Code. The supplier selection process, furthermore, should be done based on an objective comparison of quality, price, execution and assistance while avoiding any and all forms of favoritism or discrimination. Throughout any relationship with the Group, the suppliers are also required to comply fully with the law and the Code. The Group suppliers must ensure that the working conditions of its employees do not violate basic human rights, comply with international agreements and current law. The supplier must provide any of its sub-contractors with a copy of the updated Code of Ethics which has been translated so all the vendors can fully understand its content.

Once the new vendors have been selected, the Supply Chain Division and Quality will work to establish long-term relationships, which allow the Group to respond quickly to the needs of the market and production. Toward this end, logistics is focused on building a simplified direct network, which supports direct delivery, consistent with the Group's expectations.

Actions taken to ensure continuity

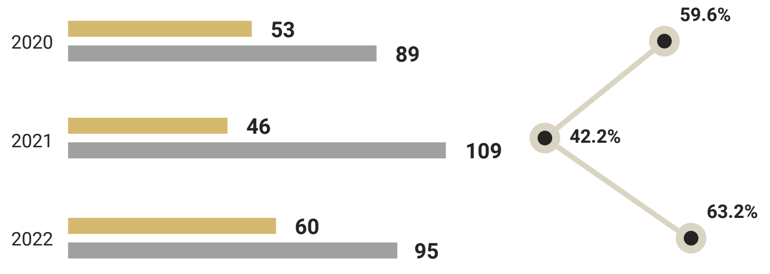
In 2022 e-commerce activities also continued. E-commerce makes it possible to eliminate the transfer of products to the retailer's warehouse which helps to improve the efficiency of the Group's deliveries by reducing the number of steps and, consequently, lessens environmental impact. If in 2020 the supply chain was impacted by the pandemic, mainly closed borders, the two-year period 2021-2022 was characterized by greater difficulty in finding raw materials and goods, above all in Europe, due also to the geopolitical situation created after the outbreak of the conflict in Ukraine. As in the past, the Group worked to guarantee continuity in supply chain management, including through the use of alternative sourcing solutions for raw materials and parts.

Key figures

In 2022, all the new suppliers of finished products were subject to a social accountability audit, in accordance with standard SA 8000 (100%). To date none of the SCOC (Social Accountability Code of Conduct) audits had a "zero tolerance" outcome and, therefore, resulted in the termination of the relationship with the supplier.

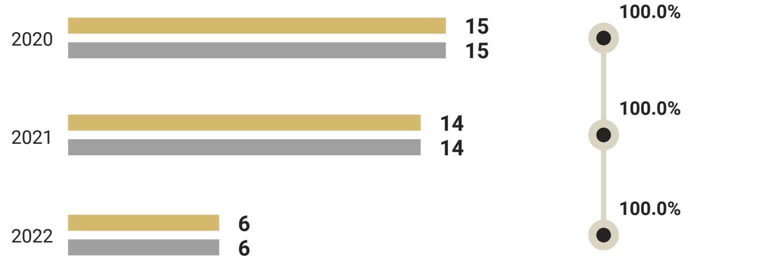
With regard to environmental aspects, in 2022 audits of 6 or 100% of the new suppliers of finished products were carried out, consistent with the figure recorded in 2021 (100%). Lastly, in 2022 a total of 60 audits were carried out in order to verify that no human rights violations had occurred at the 58 suppliers of finished products and 2 Group plants, which covered almost 63% of the Group's operations, noticeably higher than in the previous year (42%).

Number and percentage of transaction subject to human rights assessments



Total number of operations that have been subject to human rights reviews
Total number of operations
Percentage of operations that have been subjected to human rights reviews

New suppliers of finished products subject to social accountability audits



Number of new suppliers
Number of suppliers audited
Percentage of new suppliers audited out of total

Scenario and risks

The De' Longhi Group, which operates daily in an international environment of continuous change, pays constant attention to the proper management of its manufacturing processes. Consistent with the constant changes in the operating backdrop, the Group's environmental regulations are updated and adjusted continuously, forming a crucial part of responsible business management.

For more information about environmental risks, as well as the Group's risk management, please refer to the section "Risk factors for the De' Longhi Group", specifically paragraphs 15 (Risks relating to changes in the regulatory framework) and 16 (Risks relating to environmental damage), as well as the section "Risk factors for the De' Longhi Group".

For more information on the measures used to prevent and manage environmental risks please also refer to the table "The main risks associated with non-financial issues and management methods" in the Note on Methodology.

Business and organizational model

At a Group level, the environmental aspects are managed by the Operations & Technology and Quality Divisions. More in detail, in 2022 the **ISO 14001** certified environmental management system in place at the production facilities in Mignagola, Cluj and Salonta was adopted also by the two Chinese plants. This system makes it possible to carry out environmental assessments across the entire value chain, define the processes needed to monitor the Group's environmental impact and implement mitigation measures.

A number of years ago the Group installed solar panels at the Mignagola plant which last year produced. 927,116 kWh of energy or 8% of the electricity consumed at the plant which lowers the environmental impact linked to the production of electricity considerably.

In 2022 meters which monitor consumption and energy efficiency were also installed at the Mignagola plant, the Treviso headquarters and the Cluj and Salonta plants in Romania. In 2022 further work was also done on the renewal of the lighting systems at the Italian, Chinese and Romanian plants: at Mignagola the installation of exterior LED lighting was completed and continued in the production areas; at the Cluj and Salonta plants the substitution of traditional lighting resulted in energy savings of 161,697 kWh and 73,509 kWh respectively, in 2022 alone. Movement sensors were also installed at these three plants so that the lights are activated only when movement is detected. Another important step in relation to the energy saving plan pursued by the Group was the installation of a co-generator at the Mignagola plant, completed in 2022 and operational officially since September. In the same plant a project which aims to substitute the water used for tests with air. This type of testing makes it possible to eliminate the residual water in the circuit and reduce testing times by around 60%, as well as reduce energy consumption by 70% and overall water consumption by 90%. Lastly, at the Treviso headquarters a few charging stations for electric cars were installed in order to support the fleet of company cars which now comprises hybrid or 100% electric models. In terms of energy recovery, the substitution of hydraulic oil with a latest generation oil in the injection mold machinery at the Cluj plant resulted in energy saving of around 7% compared to 2021; in the same plant work began on the installation of a solar energy system which once operative at its the 3MWh capacity will cover around 15% of the facility's electricity needs.

In order to improve air quality, the chimney emissions are monitored constantly: with a view to reducing pollutant emissions, the solvent-based resin was substituted with a water based one which made it possible to reduce the Cluj plant's pollutant emissions by 18% compared to the prior year and Salonta's by 33%. Lastly, in 2022 new monitoring activities of the chimney emissions and the relative air quality were begun at Mignagola plant.

In the year that just closed, Research and Development continued to work on reducing the environmental impact of the consumers' use of the Group's products. Toward this end a number of initiatives, both Corporate and local were carried out which were focused mainly on energy efficiency, durability and product repairability, consistent with the Group's approach to sustainability. Please refer to the section "Quality and product innovation" for more information.

Consistent with the idea of a circular economy, the Group implemented several strategies for the responsible management for the waste generated during production. More in detail, at the Mignagola and Dongguan plants, projects were started that call for **the recovery of plastic scraps** which are reused in the manufacturing cycle. This reduces initial raw material costs and the amount of waste to dispose of.

The metal scraps are sold as raw materials, while paper, cardboard and nylon scraps are sent to be regenerated. In 2022 several initiatives to reduce scraps and reuse them when possible were launched; for example, beginning in the second half of the year, 100% of the plastic scraps from injection molds are recycled. Furthermore, 88% of the coffee dust is sold to an outside company which uses it to produce bricks, the remaining 12% is composted. At the Mignagola plant a project to reduce coffee dust during the testing phase was launched in 2022 and thanks to the recalibration of the grinder it will be possible to reduce energy consumption by 80% and the consumption of coffee by 100%. The use of this method will, in fact, make it possible to save a whopping 150 tons of coffee per year.

The Braun brand has been working for several years on sustainable packaging. In 2022, in fact, there was no EPS (Synthesized Expanded Polystyrene) in the packaging of 56% of the Braun products sold, an improvement of 6% against 2021. This result was possible also thanks to the LCAs (Life Cycle Assessment) carried out in 2020 of the different types of packaging used in order to find more environmentally friendly alternatives, as well as the studies that the Braun and Kenwood brands have been working on for years. Thanks to the collaboration with universities and other partners, these studies focus on alternative and sustainable materials in order to substitute the use of plastic (the big bags) and EPS in packaging. The Kenwood brand is also working on the sustainability of its packaging and in 2022 58% of its kitchen machines had paper packaging, which will gradually replace EPS. With a view to the continuous improvement in the circularity of materials, as of 2021 studies and assessments of the software to be used in Group LCA activities were begun in order to standardize the studies and identify a project baseline.

The packaging efficiency initiatives also involved the Group's internal logistics and operations: at the Chinese plants and the one in Cluj the goal is to reuse the plastic and cardboard packaging of the components delivered which are otherwise disposed of upon arrival. The pallets, used throughout the Group's operations, are worthy of a separate discussion. In Romania, 50% of the wooden pallets were replaced with pallets made out of recycled plastic; similarly, in the Mignagola and Dongguan plants the wooden pallets were substituted with pallets made out of recovered, recycled plastic.

Responsible waste management is also expressed through the special attention given to recycling, at both the offices and the production facilities, in order to minimize the quantities disposed of. In the production plants, special signage helps to correctly separate hazardous waste from non-hazardous waste.

Policies and objectives

A few of the Group's facilities, including in Mignagola and Cluj, have adopted an Environmental Policy which has a number of objectives, in addition to compliance with all current legislation in each Country where the Group operates: these include commitment to the steady improvement of environmental performances, optimization in the consumption of resources and energy, reduction or, if possible, elimination of any form of pollution, as well as the deployment of technologies and processes which minimize environmental risks.

A Group Environmental Policy has yet to be formalized, although the Code of Ethics states clearly that all activities are shaped by the need for environmental protection and public safety in accordance with the law. Well aware of the impact of its activities on economic and social development, as well as general wellbeing, the Group strives to achieve a balance between economic initiatives and environmental needs, including, above all, with a view to future generations. This commitment ensures that the projects, processes, methods and materials are based on scientific research and development, as well as the best environmental practices, that respect the community, as well as prevent pollution and protect both the environment and the landscape.

Key figures

In 2022, consumption fell 12% with respect to the prior year (372,130 GJ in 2022 compared to 422,263 GJ in 2021). This decrease is attributable to lower production volumes (-41% in the units manufactured), which reflects the Company's overall performance in the year.

The ratio of direct consumption, for heating and transport, to indirect consumption (electricity through district heating and cooling) reached 45% in 2022. This figure is higher than in the two previous years (26.7% in 2021 and 30.1% in 2020). The inversion of the trend is explained by the installation of the co-generator at the Mignagola plant which was completed in 2022 and operational officially since September which covered around 37% of the Group's natural gas consumption.

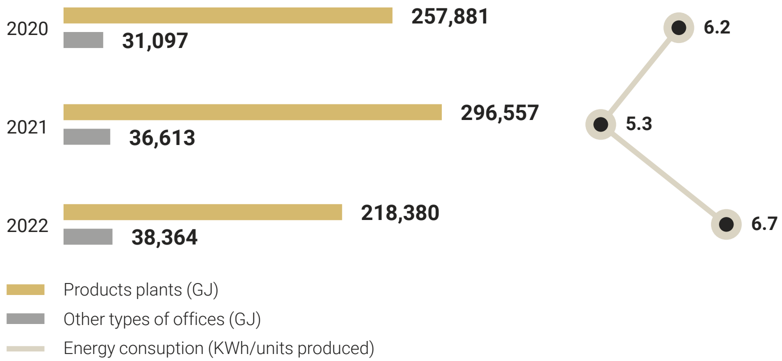
During the reporting year the Group acquired guarantees of origin covering 52% of the electric consumption at Group production facilities.

Energy consumption	u.m.	Production facilities			Other types of offices[8]			De' Longhi Group		
		2020	2021	2022	2020	2021	2022	2020	2021	2022
Direct energy consumption from non-renewable sources										
Gas	GJ	2,824	3,948	4,945	6,646	7,181	8,883	9,470	11,129	13,828
Diesel	GJ	5,180	6,991	5,696	16,010	18,274	18,759	21,189	25,265	24,455
Natural gas	GJ	46,388	42,869	66,777	5,034	5,115	5,934	51,422	47,984	72,711
LPG	GJ	587	518	347	667	712	707	1,254[9]	1,231	1,054
Fuel oil	GJ	-	-	-	142	61	1	142	61	1
Total	**GJ**	**54,979**	**54,327**	**77,765**	**28,498**	**31,343**	**34,284**	**83,477**	**85,670**	**112,049**
Direct energy consumption from renewable sources										
Energy produced from renewable sources and consumed	GJ	3,567	3,423	3,338	40	-	-	3,607	3,423	3,338
Total direct consumption	**GJ**	**58,546**	**57,750**	**81,103**	**28,538**	**31,343**	**34,284**	**87,084**	**89,093**	**115,387**
Indirect consumption										
Electricity purchased	GJ	257,881	296,557	218,380	28,984	34,291	35,398	286,865	330,848	253,778
District heating	GJ	-	-	-	2,113	2,322	2,599	2,113	2,322	2,599
Cooling	GJ	-	-	-	-	-	367	-	-	367
Total indirect consumption	**GJ**	**257,881**	**296,557**	**218,380**	**31,097**	**36,613**	**38,364**	**288,978**	**333,170**	**256,744**
Total consumption	**GJ**	**316,427**	**354,307**	**299,483**	**59,635**	**67,956**	**72,648**	**376,062**	**422,263**	**372,130**

8 "Other types of offices" includes the offices, distribution branches, warehouses and, in general, all of the De' Longhi Group's structures not related to production.

9 The 2021 figure relative to GPL consumption includes the consumption of a De' Longhi Group asset for which this information was not available in 2021.

The indirect electricity consumption per unit of production was higher (6.7 kWh in 2022 versus 5.3 kWh and 6.2 in the two-year period 2020-2021).



In 2022 total CO_2 emissions (calculated using the "Location Based" method) reached 34,635 tons, 22% lower against the 44,447 tons recorded in 2021 (based on CO_2 emissions calculated using the "Location Based" method). Consistent with energy consumption, the CO_2 emissions are explained primarily by the consumption of electricity (about 84% of the Group's total CO_2 emissions).

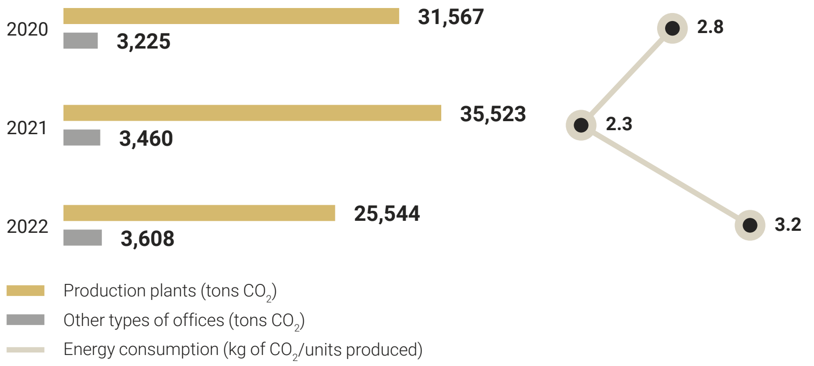
There was a noticeable reduction in market-based emissions (-46% vs. 2020) as during the reporting period the Group purchased guarantee certificates covering the electrical consumption 2022. During the reporting year the Group acquired guarantees of origin covering the electric consumption 2022 at Mignagola (Italy), Cluj and Salonta [10] (Romania), Eversys (Switzerland) and the commercial offices located in the UK and Ireland.

Emissions [ton CO_2]	Production facilities			Other types of offices [11]			De' Longhi Group		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Direct	3,235	3,249	3,067	2,003	2,215	2,416	5,238	5,464	5,483
Indirect - Location Based	31,567	35,523	25,544	3,225	3,460	3,608	34,792	38,983	29,152
Indirect - Market Based	33,854	23,452	16,417	3,980	1,974	4,259	37,833	25,426	20,496
TOT *(Direct + Indirect - Location Based)*	**34,802**	**38,772**	**28,611**	**5,228**	**5,675**	**6,024**	**40,030**	**44,447**	**34,635**
TOT *(Direct + Indirect - Market Based)*	**37,089**	**26,701**	**19,484**	**5,983**	**4,189**	**6,675**	**43,072**	**30,890**	**25,979**

10 The Salonta plant (Romania) purchased guarantees of origin solely for a part of the reporting year.

11 "Other types of offices" includes the offices, distribution branches, warehouses and, in general, all of the De' Longhi Group's structures not related to production.

The comparison of Scope 2 CO_2 emission per unit manufactured shows an increase in this indicator which went from 2.8 kg of CO_2 per unit manufactured in 2020 to 2.3 kg of CO_2 per unit manufactured in 2021, to then reach 3.2 kg di CO_2 per unit manufactured in 2022. This increase is attributable to the drop in units manufactured by the Group in 2022.



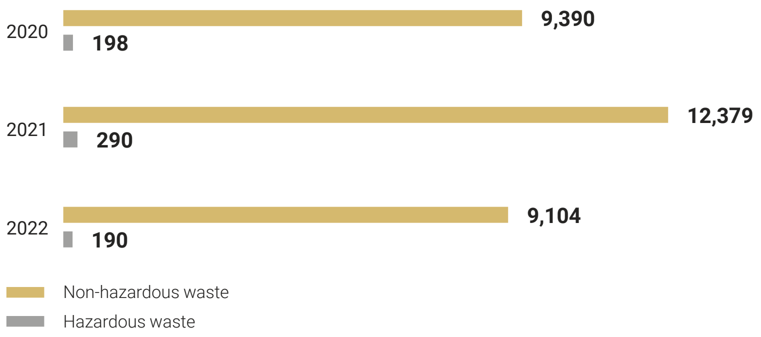
In 2022 9,294 tons of waste were produced, a decrease of 27% compared to 2021; around 98% of this was non-hazardous, while the remaining 2% was hazardous. The decrease in the total waste produced reflects the company's performance in the year, characterized by a sizeable drop in production and the resulting decline in total CO_2 emissions.

Approximately 87% of the waste produced was reused, regenerated, recycled or composted. More in detail, the amount of hazardous went from 11% of the total in 2021 to 29% in 2022, indicative of an improvement in the Group's ability to recover these hazardous wastes.

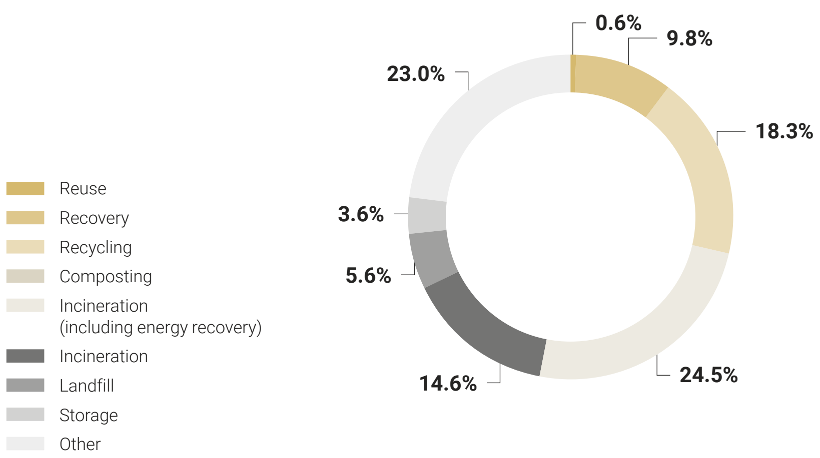
All of the waste produced by the De' Longhi Group in 2022 was treated offsite.

Waste produced	u.m.	2020		2021		2022	
		Hazardous	Non-hazardous	Hazardous	Non-hazardous	Hazardous	Non-hazardous
Reuse	ton	2	0	1	0	1	0
Recovery	ton	58	1,907	21	2,396	19	2,055
Recycling	ton	34	6,658	10	8,572	35	5,989
Composting	ton	0	98	0	198	0	50
Incineration (with energy recovery)	ton	16	550	33	904	46	500
Incineration	ton	38	0	48	0	28	18
Land fill	ton	16	91	67	215	11	190
Storage	ton	34	21	51	23	7	14
Other	ton	0.2	64	59	71	44	289
Total	**ton**	**198**	**9,390**	**290**	**12,379**	**190**	**9,104**

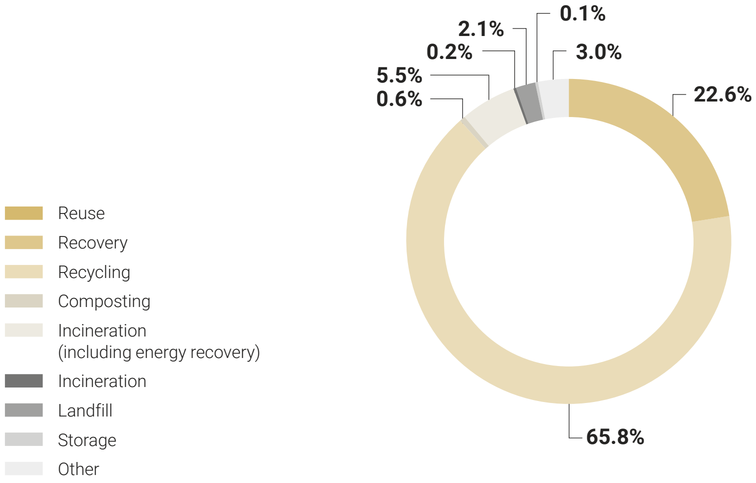
Waste produced at the production plants in 2022 (tons)



Hazardous waste produced in 2022 broken down by disposal method



Non-hazardous waste produced in 2022 broken down by disposal method



Reporting scope and standards used

In accordance with the Decree, the reporting scope corresponds with the scope of consolidation used in the consolidated financial statements, namely the continuing operations fully consolidated using the line-by-line method in the financial reports, unless provided otherwise. With regard to 2022, the companies De'Longhi Brasil - Comércio and Importação Ltda and De'Longhi Bosphorus Ev Aletleri Ticaret Anonim Sirketi were excluded insofar as they are currently being liquidated or are dormant and at 31.12 had no employees.

The figures relative to 2022 include the companies belonging to the Capital Brands Group, acquired at the end of December 2020 and Eversys, the control of which was acquired in 2021. The date of inclusion in the scope of consolidation coincides with what was determined for the financial figures.

The information and figures used in this section refer to FY 2022.

The De' Longhi Group used the "with reference" option of the GRI Sustainability Reporting Standards (hereinafter the GRI Standards), published by the GRI - Global Reporting Initiative, to prepare its NFS. More in detail, when preparing the NFS, reference was made to the Standard GRI 1: Foundation, the reporting principles and the GRI content index.

Definition of the material topics

The materiality analysis guides De' Longhi in the choice of the topics to report on in order to provide a complete and clear picture as to the economic, environmental and social impact of the Group's activities. The materiality analysis included in the report for the year ended on 31 December 2022 was updated in order to comply with the new GRI Standards 2021.

The company's material topics are identified, in accordance with the Standard, based on the impacts, current and potential, that the organization's business and commercial relationships could have on the economy, the environment and people, including on human rights. This includes negative and positive impacts, short-term and long-term, intentional and voluntary, reversible and irreversible.

The Group's material analysis was carried out in four different phases:

1. Understanding of the Group's operating environment: an analysis of different documents was carried out using different sources, both internal and external, including documents published by a panel of companies active in similar sectors, sector trends identified by consulting the publications of the main international trade associations and organizations, and newspaper articles relating to important events that affected the company during the year.
2. Identification of De' Longhi's current and potential impacts: during this phase the organization identified the current and potential impacts that its activities and business relationships could have on the economy, the environment and people, including the human rights of the latter. The current impacts are those happening now or have materialized over time while potential impacts are those that could materialize in the future.
3. Assessment of the significance and relevance of the impacts: all the impacts were assessed by evaluating the degree of significance determined based on the Standard's criteria.
4. Prioritization of the most significant impacts for reporting purposes: the Group's most significant impacts were prioritized and the most relevant impacts informed the identification of the material topics included in this Non Financial Statement.

The Group also assessed and classified its impacts based on two parameters, severity and probability. The severity of a real or potential negative impact is determined by its scale (how serious is the impact), the scope (the breadth of the impact) and the irremediable characteristics (how difficult it is to mitigate or remedy the damage caused). The probability can be defined as the likelihood that the impact will materialize, taking into account the preventive actions adopted by company. The impacts that the De' Longhi Group might have caused were classified based on their severity and probability, namely based on their significance. As a result of the analyses, the Group approved a list of 13 material topics: three relating to the environment, two to governance and eight to social aspects. Lastly, after having identified the significant impacts and defined the material topics, the GRI associated with the impact to be reported on were identified.

The list of the material topics determined after the identification and grouping of the relevant impacts is provided below. The Topic-Specific GRI Disclosures for each material topic are also provided.

Legislative Decree 254	Material topics	Impacts	GRI Topic-Specific Disclosure
Environmental aspects	Management of the GHG emissions and fight against climate change	The use of fossil fuels and electricity generates direct and indirect Green House gases which contribute to climate change. In order to mitigate and offset any impacts, the Group works to implement solutions which will help to save energy and encourage the use of energy from renewable sources.	GRI 302-1, 302,2 GRI 305-1, 305-2, 305-4
Human resources management	Inclusion and equal opportunities	An inadequate management of the aspects relating to inclusion and equal opportunities could lead to episodes of discrimination. Through policies, procedures and initiatives coordinated with HR, the Group works to reduce the risk of these episodes.	GRI 405-1 GRI 406-1
Environmental aspects	Waste management and circular economy	The use of non-recyclable materials and inadequate management of the manufacturing waste could have a negative impact on the eco-system. In order to mitigate the impact, the Group adopts avantgarde waste management practices, fully compliant with the laws in effect.	GRI 306-3, 306-4, 306-5
Human resources management	Health and safety of workers	The health and safety of workers is a top priority for the Group. In order to avoid any potential risks stemming from production, the company adopts specific management practices to manage health and safety on the job and is committed to ongoing monitoring and improvements.	GRI 403-9
Human rights	Respect of human rights	The Group is committed to protecting human rights. In order to lessen the likelihood of a violation, relative to both operations and along the value chain, De' Longhi has implemented specific initiatives aimed at monitoring the practices of its suppliers. The Group also provides training courses in topics and procedures relating to the respect of human rights.	Non GRI KPI: transactions evaluated in light of human rights
Social aspects	Promotion of sustainable lifestyles	Aware of its role as an influencer with its customers and stakeholders, the Group promotes the adoption of healthy lifestyles, the use of sustainable food products and good practices for a healthy and balanced diet.	-
Social and environmental aspects	Responsible management of the supply chain	Irresponsible management of the supply chain could have a negative social and environmental impact. The De' Longhi Group has, therefore, adopted tools and mechanisms which reduce the risk that the impact materializes.	GRI 414-1 GRI 308-1
Environmental aspects	Innovation and eco-design	The irresponsible use of materials, including the during the procurement phase, could damage the eco-system. For this reason, the Group has defined guidelines in order to promote innovative and sustainable solutions in the choice of materials.	-
Social aspects	Product safety and labeling	Labeling which is not transparent and complete could cause products to be used incorrectly and compromise consumer safety. At the same time, failure to monitor quality during procurement and production could have repercussions. The Group, therefore, works to guarantee constant quality and product safety controls, as well as transparency in labeling.	GRI 417-2 GRI 417-3 GRI 416-1
Social aspects	Consumer satisfaction	For De' Longhi consumer satisfaction is of the utmost importance. For this reason, it promotes surveys relating to consumer needs and preferences order to establish loyalty and a lasting relationship.	-
Fight against corruption	Ethics and business integrity	De' Longhi is committed to conducting its business in accordance with principles of integrity, transparency, legality, fairness, prudence and in compliance with the law.	GRI 205-2 (b, c, e) 205-3
Human resources management	Talent acquisition and retention	In addition to the employee satisfaction, a key aspect for the Group is talent development by investing constantly in human resources which guarantees stability, appeal and the creation of jobs.	GRI 404-1
Social aspects	Use of consumer data	By promoting campaigns to heighten awareness as to the risks stemming from the use of personal data, the Group works to guarantee the protection of consumer privacy.	GRI 418-1

The main risks associated with non-financial issues and management methods

The possible risks, inflicted and caused, associated with the issues identified by the De' Longhi Group as "material" are reported in the following table, as well as the main risks associated with and the relative management of each Legislative Decree 254 area.

Legislative Decree 254	Main risks	Risk management tools
Fight against corruption	• Risks connected to administrative liability of legal entities, particularly with regard to Legislative Decree 231/2001 which introduced specific rules relating to liability for a few types of crimes to the Italian legal system • Risks tied to the Group's current or past commercial relationships with related parties • Reputational risk	• Group Code of Ethics • Model of organization, management and control pursuant to Legislative Decree 231/2001 • Group's internal control and compliance system • Corporate Governance guidelines • Procedure for Related Party Transactions
Human resources management Human rights	• Risks connected to human resources management, particularly with regard to the Group's ability to recruit, develop, motivate, retain and promote personnel with the attitudes, values, specialized professional and/or managerial skills needed to meet the Group's changing needs. • With regard to the Chinese platform, there are also a few risks related to high turnover of Chinese blue-collar workers • Risks tied to possible instances of discrimination	• Group Code of Ethics • Model of organization, management and control pursuant to Legislative Decree 231/2001 • Group's internal control and compliance system • OHSAS 18001 compliant organizational model • Worker safety and health policy in place at European plants • Compensation policy for the BoD and executives with strategic responsibilities • Performance review process • MBO procedure • Employee surveys • For the Chinese plants: incentive schemes to foster staff retention, investment in training and the development of more qualified internal resources, improvements in living and working conditions inside the different plants

Legislative Decree 254	Main risks	Risk management tools
Social aspects Environmental aspects	**Product quality and innovation** • Risks connected to the De' Longhi Group's to continue with product innovation • Risks associated with patents and trademarks • Risks connected to product quality and liability for violations of the quality standards applied in the different jurisdictions where the Group operates • Risks connected with regulatory changes, relating in particular to environmental protection, especially the regulations relating to the safety and energy efficiency of electric household appliances, recyclability and environmental friendliness	• Group Code of Ethics • UNI EN ISO 9001:2015 certified Quality System • Food safety management model • Quality policy • NPD procedures • Quality audits • Constant monitoring of regulatory changes • Registration of product patents and trademarks
Social aspects	**Consumer relations** • Risks associated with warehouse size and the timeliness of deliveries; more in detail, in the event the Group doesn't have an adequate quantity of products it could run the risk of not being able to meet customer demand in a timely manner. Another risk stems from potential supply chain issues which could impact the adequacy of the service provided to customers • Risks relating to IT systems: in relation to events which could compromise service continuity and integrity of the data	• Group Code of Ethics • Model of organization, management and control pursuant to Legislative Decree 231/2001 • Group's internal control and compliance system • GDPR policy (includes policy for the storage of data and procedure for the management of data breaches) • Training of employees in IT safety and privacy • Presence of structures dedicated to monitoring the level of customer satisfaction
Social aspects Human rights	**Supply chain management** • Risks connected to supplier relationships with regard, in particular, to reliable product quality, logistics and timely deliveries, as well as relationships with company employees • Risk of being dependent on a single supplier for certain types of components for strategic products	• Group Code of Ethics • Model of organization, management and control pursuant to Legislative Decree 231/2001 • Procedure for Related Party Transactions • Social accountability audits
Environmental aspects	• Risks relating to environmental harm: the manufacturing done by the Group at its plants and facilities could harm third parties, cause accidents or environmental harm if serious breakdowns or malfunctions were to occur • Risks connected to climate change: extreme weather conditions (like floods, high levels of precipitation, hurricanes) could undermine the Group's ability to operate • Risks connected to inappropriate energy management practices: poor sustainability practices • In energy management could make it more difficult to reduce the energy footprint and/o accelerate climate change	• Group Code of Ethics • UNI EN ISO 14001:2015 certified environmental management system for the European plants • Group's internal control and compliance system • Environmental policy applicable also the production facilities in Mignagola and Cluj, as well as the Kenwood plant • With regard to climate change risks, the Group adhered to management principles and methods inherent in the UNI EN ISO 14001:2015 environmental management system. Furthermore, in the two-year period 2021-2022 the perceived risk stemming from the possible impact that climate change could have on the business was mapped

The reporting process and the methods of calculation used

The content used in the NFS 2022 was prepared by all the relevant company divisions and those responsible for the aspects referred to in the report.

The main methods of calculation used, and the relative updates, are listed below:

- As done for the previous year (2021), in terms of GRI Disclosure 403 (Occupational Health and Safety), the Group used the more updated version issued by the GRI in 2018. More specifically, as required by the GRI Standards, the number of injuries recorded includes travel on transportation organized by De' Longhi and excludes the other instances.

  The historical data also reflect an update of the calculation used to estimate the hours worked at one of the Group's production plants.
- **Injury rate** is the total number of injuries expressed as a percentage of the total number of labor hours multiplied by 1,000,000, excluding commuting accidents (i.e. resulting in absences of more than 6 months);
- **Severity rate** is the total number of serious accidents expressed as a percentage of the total number of labor hours multiplied by 1,000,000;
- the **first-time quality (FTQ) indicator** is the number of products without defects as a percentage of total production for the year;
- the **service call rate (SCR)** is the number of machines repaired in the first year under warranty as a percentage of total yearly sales. This indicator is calculated quarterly on a rolling 12-month basis;
- the **first-time fix (FTF)** indicator is the number of repaired products that did not need further repairs in the six months following completion of the initial repair as a percentage of total product repairs;
- **greenhouse gas emissions** are calculated based on the international standard ISO 14064-1:2018. The only greenhouse gas considered was carbon monoxide (CO_2). The self-produced energy from renewable sources was excluded from the calculation of greenhouse gas emissions as it is considered to be of rom greenhouse gas emissions.

The emission factors used to calculate CO_2 emissions were determined as follows:

- **Direct emissions (Scope 1):** the emissions linked to the consumption of natural gas, diesel heating fuel, gas, diesel fuel and LPG for the company cars was determined based on the emission factors reported in the table of national standards published by the Italian Ministry of the Environment, for the years 2020, 2021 and 2022.
- **Indirect emissions (Scope 2):** indirect emissions are linked to the consumption of electricity and district heating; the emissions linked to electricity were calculated based on a location and market-based approach. Location based emissions were calculated by taking into account, for each country, the factors referred to in the most recent version of Table 49 - Primary socio-economic and energy indicators published by Terna (Italian grid operator), in the International Comparison section, based on the most recent Enerdata data used to calculate Scope 2 emissions, 2019 version for 2022 and 2021, 2018 version for 2020. In the event a country was not listed in the above table, we used the emission factor for the continent. When there were several branches in several countries, the highest of the emissions factors among these countries was used.
- With regard to the market- based emissions, when available, the residual mixes found in the "European Residual Mixes", published by ABI for the years 2019-2021, were used. For the United States an average residual mix per eGrid Subregion, calculated based on the residual mixes shown in the document Green-e Energy Residual Mix Emissions Rates for the year 2020, were used for the years 2020,2021 and 2022. An average residual mix per NERC Region, calculated based on the residual mixes shown in the document Green-e Energy Residual Mix Emissions Rates for the year 2018 was used for Canada. As for the countries for which no residual mix figures were available, location-based emissions factors found in the above mentioned Terna table were used conservatively.

District heating emissions were calculated using the emissions factors found in the document "UK Government GHG Conversion Factors for Company Reporting" published by the Department for Environment Food & Rural Affairs (DEFRA) table for the three-year period 2020-2021-2022.

Statement of use	The De' Longhi S.p.A. Group reported the following disclosures in the GRI Content Index for the reporting period 01/01/2022 - 31/01/2022, using the GRI Standard method "with reference to"
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosures	Location
GRI 2: General Disclosures 2021	2-1 Organizational details	42
	2-2 Entities included in the organization's sustainability reporting	42
	2-3 Reporting period, frequency and contact point	79
	2-4 Restatements of information	(*)
	2-5 External assurance	148
	2-6 Activities, value chain and other business relationships	45
	2-7 Employees	57
	2-8 Workers who are not employees	57
	2-9 Structure and composition of the governance	58
	2-27 Compliance with laws and regulations	65, 117
	2-29 Approach to stakeholder engagement	44
GRI 3: Material Topics 2021	3-1 Process to determine material topics	74
	3-2 List of material topics	75
	3-3 Management of material topics	75
GRI 205: Anticorruption 2016	205-2 Communication and training relative to anticorruption laws and procedures	53
	205-3 Confirmed incidents of corruption and actions taken	53
GRI 302: Energy 2016	302-1 Energy consumption inside the organization	70
	302-3 Energy intensity	71
GRI 305: Emissions 2016	305-1 Direct greenhouse gas (GHG) emissions (Scope 1)	71
	305-2 Indirect GHG emissions from the consumption of energy (Scope 2)	71
	305-4 GHG intensity	72
GRI 306: Waste 2020	306-3 Waste generated	73
	306-4 Waste diverted from disposal	73
	306-5 Waste directed to disposal	73

GRI Standard	Disclosures	Location
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers screened using environmental criteria	67
GRI 403: Occupational health and safety 2018	403-9 Work related injuries	59
GRI 404: Training and education 2016	404-1 Average number of training hours per year per employee	58
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	58
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	53
GRI 414: Supplier social assessment 2016	414-1 New suppliers screened using social criteria	67
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of products and service categories	64
GRI 417: Marketing and labeling 2016	417-2 Incidents of non- compliance involving labeling, as well as product and services disclosures	64
	417-3 Incidents of non-compliance concerning marketing communications	64
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints regarding violations of customer privacy and loss of their data	65

(*) The Group didn't perform any review in the reporting period.

Subsequent events

After 31 December 2022 through the date on which this annual report was approved, no events occurred that would have had a significant impact on the financial and economic results recorded, as per IAS 10 - Events after the reporting period.

Outlook

Year 2023 begins in a context not very dissimilar from the second half of 2022, which allows to forecast a progressive improvement in the economic and consumptions' climate in the second half of the year after a difficult start, marked by a further de-stocking by the distribution whose effect will be added to the effects of the Group's strategic choice to exit the mobile air conditioning market in the United States and of the challenging comparison with the extraordinary growth of the first months of the previous two years.

In this context, the Group therefore estimates that the year will close with slightly lower revenues and a solid EBITDA before non recurring items.

Treviso, 13 March 2023

For the Board of Directors
Vice President and Chief Executive Officer

Fabio de' Longhi

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Group annual report and financial statements

Consolidated financial statements

Consolidated income statement

(€/000)	Notes	2022	of which operative non-recurring	2021	of which operative non-recurring
Revenue from contracts with customers	1	3,126,940		3,196,253	-
Other revenues	1	31,493		25,334	
Total consolidated revenues		**3,158,433**		**3,221,587**	
Raw and ancillary materials, consumables and goods	2	(1,194,715)		(1,630,172)	
Change in inventories of finished products and work in progress	3-8	(235,736)	1,924	254,836	(14,978)
Change in inventories of raw and ancillary materials, consumables and goods	3	5,519		46,710	
Materials consumed		**(1,424,932)**	**1,924**	**(1,328,626)**	**(14,978)**
Payroll costs	4-8	(356,710)	500	(385,972)	(10,667)
Services and other operating expenses	5-8-15	(987,496)	(1,432)	(997,413)	289
Provisions	6-8	(19,919)	7,258	(28,967)	(5,406)
Amortization	7-15	(105,838)		(93,679)	
EBIT		**263,538**	**8,250**	**386,930**	**(30,762)**
Net financial income (expenses)	9-15	(25,341)		13,321	
Profit (loss) before taxes		**238,197**		**400,251**	
Taxes	10	(58,354)		(88,502)	
Consolidated profit (loss)		**179,843**		**311,749**	
Profit (loss) pertaining to minority	31	2,415		651	
Consolidated profit (loss) after taxes		**177,428**		**311,098**	
Earnings per share (in Euro)	**32**				
- basic		€ 1.18		€ 2.08	
- diluted		€ 1.16		€ 2.03	

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

Consolidated statement of comprehensive income

(€/000)	2022	2021
Consolidated profit (loss)	**179,843**	**311,749**
Other components of the comprehensive income:		
Change in fair value of cash flow hedges	(3,893)	9,605
Tax effect on change in fair value of cash flow hedges	525	(2,278)
Differences from translating foreign companies' financial statements into Euro	28,483	60,729
OCI pertaining to equity investments consolidated by equity method	-	184
Total other comprehensive income will subsequently be reclassified to profit (loss) for the year	**25,115**	**68,240**
Actuarial valuation funds	11,087	3,057
Tax effect of actuarial valuation funds	(2,970)	(871)
Total other comprehensive income will not subsequently be reclassified to profit (loss) for the year	**8,117**	**2,186**
Total components of comprehensive income	**33,232**	**70,426**
Total comprehensive income	**213,075**	**382,175**
Total comprehensive income attributable to:		
Group	210,819	381,491
Minority interest	2,256	684

Consolidated statement of financial position

ASSETS (€/000)	*Notes*	31.12.2022	31.12.2021
Non-current assets			
Intangible assets		891,181	867,877
- Goodwill	*11*	*373,754*	*358,405*
- Other intangible assets	*12*	*517,427*	*509,472*
Property, plant and equipment		446,899	388,478
- Land, property, plant and machinery	*13*	*210,818*	*178,946*
- Other tangible assets	*14*	*158,071*	*135,813*
- Right of use assets	*15*	*78,010*	*73,719*
Equity investments and other financial assets		136,336	82,475
- Equity investments	*16*	*6,103*	*7,331*
- Receivables	*17*	*5,609*	*4,605*
- Other non-current financial assets	*18*	*124,624*	*70,539*
Deferred tax assets	*19*	64,634	74,297
Total non-current assets		**1,539,050**	**1,413,127**
Current assets			
Inventories	*20*	550,659	769,253
Trade receivables	*21*	278,811	366,668
Current tax assets	*22*	15,512	9,492
Other receivables	*23*	29,884	43,148
Current financial receivables and assets	*24-15*	368,354	302,077
Cash and cash equivalents	*25*	770,247	1,026,081
Total current assets		**2,013,467**	**2,516,719**
Non-current assets held for sale	*26*	1,189	1,055
Total assets		**3,553,706**	**3,930,901**

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

Consolidated statement of financial position

NET EQUITY AND LIABILITIES (€/000)	*Notes*	31.12.2022	31.12.2021
Net equity			
Group portion of net equity		1,659,117	1,568,577
- Share Capital	*29*	*226,590*	*226,344*
- Reserves	*30*	*1,255,099*	*1,031,135*
- Profit (loss) pertaining to the Group		*177,428*	*311,098*
Minority interest	*31*	4,274	2,018
Total net equity		**1,663,391**	**1,570,595**
Non-current liabilities			
Financial payables		773,968	681,020
- Banks loans and borrowings (long-term portion)	*33*	*477,582*	*357,457*
- Other financial payables (long-term portion)	*34*	*236,026*	*266,335*
- Lease liabilities (long-term portion)	*15*	*60,360*	*57,228*
Deferred tax liabilities	*19*	83,254	70,070
Non-current provisions for contingencies and other charges		110,699	119,421
- Employee benefits	*35*	*38,532*	*53,378*
- Other provisions	*36*	*72,167*	*66,043*
Total non-current liabilities		**967,921**	**870,511**
Current liabilities			
Trade payables	*37*	540,687	936,229
Financial payables		190,476	292,589
- Banks loans and borrowings (short-term portion)	*33*	*91,510*	*221,691*
- Other financial payables (short-term portion)	*34*	*78,502*	*51,860*
- Lease liabilities (short-term portion)	*15*	*20,464*	*19,038*
Current tax liabilities	*38*	76,264	120,900
Other payables	*39*	114,967	140,077
Total current liabilities		**922,394**	**1,489,795**
Total net equity and liabilities		**3,553,706**	**3,930,901**

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

Consolidated statement of cash flow

	Notes	2022	2021
Profit (loss) pertaining to the Group		177,428	311,098
Income taxes for the period		58,354	88,502
Amortization		105,838	93,679
Net change in provisions and other non-cash items		(1,661)	3,576
Cash flow generated by current operations (A)		**339,959**	**496,855**
Change in assets and liabilities for the period:			
Trade receivables		103,352	47,954
Inventories		230,225	(312,921)
Trade payables		(417,726)	320,996
Other changes in net working capital		203	13,911
Payment of income taxes		(104,086)	(64,187)
Cash flow generated (absorbed) by movements in working capital (B)		**(188,032)**	**5,753**
Cash flow generated by current operations and movements in working capital (A+B)		**151,927**	**502,608**
Investment activities:			
Investments in intangible assets		(15,282)	(16,723)
Other cash flows for intangible assets		-	978
Investments in property, plant and equipment		(113,638)	(88,373)
Other cash flows for property, plant and equipment		522	964
Net investments in financial assets and in minority interest		(890)	(54)
Cash flow absorbed by ordinary investment activities (C)		**(129,288)**	**(103,208)**
Cash flow by operating activities (A+B+C)		**22,639**	**399,400**
Acquisitions (D)		**-**	**(98,866)**
FX effect on cash and cash equivalents		26,428	46,112
Exercise of stock option		3,355	7,110
Dividends paid		(124,637)	(80,671)
New loans		200,000	450,000
Payment of interests on loans		(6,334)	(3,923)
Repayment of loans and other net changes in sources of finance		(379,700)	(356,679)
Increase of minority interest		2,415	651
Cash flow generated (absorbed) by changes in net equity and by financing activities (E)		**(278,473)**	**62,600**
Cash flow for the period (A+B+C+D+E)		**(255,834)**	**363,134**
Opening cash and cash equivalents	*25*	**1,026,081**	**662,947**
Cash flow for the period (A+B+C+D+E)		(255,834)	363,134
Closing cash and cash equivalents	*25*	**770,247**	**1,026,081**

For the sake of providing a more accurate representation, the classification of net investments in leasing was revised as of 2022 and the figures for 2021 were, therefore, reclassified accordingly.
Appendix 2 reports the statement of cash flows in terms of net financial position.

Consolidated statement of changes in net equity

(€/000)	Share capital	Share Premium Reserve	Legal reserve	Extraordinary reserve	Treasury shares reserves	Fair value and cash flow hedge reserves	Stock option reserve	Currency translation reserve	Profit (loss) carried forward	Profit (loss) pertaining to group	Group portion of net equity	Minority interest	Total net equity
Balance at 31 December 2020	**225,823**	**25,838**	**44,850**	**180,542**	**(14,534)**	**(3,462)**	**6,784**	**(15,058)**	**616,438**	**200,133**	**1,267,354**	**-**	**1,267,354**
Allocation of 2020 result as per AGM resolution of 21 April 2021													
- distribution of dividends									(80,821)		(80,821)		(80,821)
- allocation to reserves			318	7,571					192,244	(200,133)	-		-
Fair value stock option							3,578				3,578		3,578
Exercise of stock option	521	8,462					(1,874)				7,109		7,109
Recognition of minority interests									(1,334)		(1,334)	1,334	-
Other changes in minority interests									(8,800)		(8,800)		(8,800)
Movements from transactions with shareholders	**521**	**8,462**	**318**	**7,571**	**-**	**-**	**1,704**	**-**	**101,289**	**(200,133)**	**(80,268)**	**1,334**	**(78,934)**
Profit (loss) after taxes										311,098	311,098	651	311,749
Other components of comprehensive income						7,327		60,696	2,370		70,393	33	70,426
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**7,327**	**-**	**60,696**	**2,370**	**311,098**	**381,491**	**684**	**382,175**
Balance at 31 December 2021	**226,344**	**34,300**	**45,168**	**188,113**	**(14,534)**	**3,865**	**8,488**	**45,638**	**720,097**	**311,098**	**1,568,577**	**2,018**	**1,570,595**
Balance at 31 December 2021	**226,344**	**34,300**	**45,168**	**188,113**	**(14,534)**	**3,865**	**8,488**	**45,638**	**720,097**	**311,098**	**1,568,577**	**2,018**	**1,570,595**
Allocation of 2021 result as per AGM resolution of 20 April 2022													
- distribution of dividends				(17,503)					(106,998)		(124,501)		(124,501)
- allocation to reserves			101						310,997	(311,098)	-		-
Fair value stock option							867				867		867
Exercise/cancellation of stock option	246	3,968		2,123			(2,982)				3,355		3,355
Movements from transactions with shareholders	**246**	**3,968**	**101**	**(15,380)**	**-**	**-**	**(2,115)**	**-**	**203,999**	**(311,098)**	**(120,279)**	**-**	**(120,279)**
Profit (loss) after taxes										177,428	177,428	2,415	179,843
Other components of comprehensive income						(3,368)		28,642	8,117		33,391	(159)	33,232
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**(3,368)**	**-**	**28,642**	**8,117**	**177,428**	**210,819**	**2,256**	**213,075**
Balance at 31 December 2022	**226,590**	**38,268**	**45,269**	**172,733**	**(14,534)**	**497**	**6,373**	**74,280**	**932,213**	**177,428**	**1,659,117**	**4,274**	**1,663,391**

Group annual report and financial statements

Explanatory notes

Explanatory notes

Group business

This document represents the consolidated financial statements of the De' Longhi Group.

The parent company De' Longhi S.p.A. is a joint-stock company, incorporated in Italy, whose shares are listed on the Italian stock exchange (Euronext Milan) run by Borsa Italiana.

The registered office is located in Treviso (Italy) in via Lodovico Seitz, 47.

The Group operates in Europe, America, Asia Pacific and MEIA.

The Group is active in the production and distribution of coffee machines, small appliances for food preparation and cooking, domestic cleaning and ironing, air conditioning and portable heaters.

The companies included in the scope of consolidation are listed in Appendix 1 to the Explanatory notes.

Accounting standards

The De' Longhi Group's consolidated financial statements at 31 December 2022 have been prepared on the basis of the international accounting and financial reporting standards issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, as endorsed by the European Commission (at the date of 31 December 2022), pursuant to EC Regulation 1606 of 19 July 2002.

The following documents have been used for interpretation and application purposes even though not endorsed by the European Commission:

- Framework for the Preparation and Presentation of Financial Statements of the International Accounting Standards Board (issued by the IASB in 2001);
- Implementation Guidance, Basis for Conclusions, IFRIC and other documents issued by the IASB or IFRIC to complement the accounting standards;
- Interpretations published by the Italian Accounting Board relating to how to apply IAS/IFRS in Italy.

The accounting policies and measurement bases used for preparing the financial statements at 31 December 2022 are the same as those used for preparing the consolidated financial statements at 31 December 2021, except for certain new amendments and accounting standards described below.

The consolidated financial statements at 31 December 2022 comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in net equity and these explanatory notes.

The statement of financial position has been prepared on a basis that distinguishes between current and non-current items.

The income statement has been presented on the basis of the nature of expense, being a suitable structure for faithfully representing the Group's performance.

The statement of cash flows has been prepared using the "indirect method" allowed by IAS 7.

The present financial statements and notes are presented in Euro, with all amounts rounded to thousands of Euro, unless otherwise indicated.

The financial statements used for consolidation purposes are the separate ones for the year ended 31 December 2022 prepared by the Boards of Directors, or other Corporate bodies, of the individual companies, as adjusted if necessary for the Group's accounting policies and measurement bases.

The financial statements have been prepared on the historical cost basis, adjusted as required for the valuation of certain financial instruments.

It has been prepared also under the assumption of going concern. Even though the unpredictability of the potential impact of the war in Ukraine and the inflationary tensions, the Group, in light of its financial strength and the actions taken to limit risks and its business model, believes that there are no elements which could compromise the business as a going concern as per paragraph 25 of IAS 1.

The risks and uncertainties relating to the business are described in a specific section of the Report on operations.

The methods used by the Group to manage financial risks are described in note 43. Risk management of the present Explanatory notes.

The present annual financial report have been issued in the ESEF format (European Single Electronic Format); it was approved and authorized for publication by the Board of Directors on 13 March 2023.

International accounting standards adopted by the Group for the first time

On 14 May 2020 IASB published amendments, effective as of 1 January 2022, relating to several standards, namely Amendments to IFRS 3 - *Business Combinations*, Amendments to IAS 16 - *Property, Plant and Equipment*, Amendments to IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*.

As part of the annual improvements, changes were also made to IFRS 1 - *First-time Adoption of International Financial Reporting Standards*, IFRS 9 - *Financial Instruments*, IAS 41 - *Agriculture* and the illustrative examples accompanying IFRS 16 - *Leases*.

The application of the above amendments did not have a material impact on the Group's annual report.

International financial reporting standards and/or not yet applicable

A few new standards and amendments to existing standards will be applicable for the first time as of 1 January 2023; a summary of the main changes is provided below.

With Regulation 2036/2021 of 19 November 2021 the European Commission adopted IFRS 17 - Insurance contracts which will substitute the current IFRS 4. The new standard establishes rules for the recognition, measurement, presentation and disclosure of insurance contracts; it will be applied to all insurance contracts using an accounting model based on the discounted cash flow method, adjusted for risk, and a Contractual Service Margin (CSM).

Subsequently, Regulation 1491/2022 of 8 September 2022 amended the previous temporary provisions, allowing companies to restate any classification overlay in the comparative information which might emerge upon initial application.

With Regulation 357/2022 of 2 March 2022, the European Commission adopted a few amendments to IAS 1 - Presentation of financial statement and to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors in order to improve the disclosure of accounting policies and provide investors and other primary users of the financial statements with more useful information, as well as help companies to distinguish the changes in accounting estimates from the changes in accounting policy.

In Regulation 1392/2022 of 11 August 2022, the European Commission introduced amendments to *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12* in order to clarify the accounting of deferred tax recognized in particular circumstances such as, for example, in the case of leasing and decommissioning.

Consolidation procedures

The scope of consolidation includes the parent company, De' Longhi S.p.A., and its subsidiaries at 31 December 2022, meaning those companies in which the parent directly or indirectly owns the majority of share capital or shares with voting rights, or over which the parent has the power, including through contractual agreements, to govern their financial and operating policies.

Subsidiary companies

These are companies over which the Group exercises control. Such control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are consolidated starting from the date that control is assumed with the line-by-line method.

The portion of equity and results attributable to minority shareholders is shown separately in the consolidated statement of financial position and income statement respectively.

The Group determines whether a transaction is a business combination by applying the definition which requires that the assets acquired and liabilities assumed constitute a business. A business is an integrated set of activities and assets that can provide a return to investors in the form of dividends, interests or other economic benefits. A business activity includes factors and processes, which together contribute to the generation of an output.

In accordance with IFRS 3, business combinations are accounted for using the acquisition method. Under this method, the consideration transferred for the acquisition is measured at fair value except for the following items which are measured in accordance with the applicable standard: i) deferred tax assets and liabilities, ii) assets and liabilities for employee benefits and iii) assets held for sale. In the case in which it is only possible to estimate provisionally the fair value of assets, liabilities and potential liabilities, the business combination is accounted for on the basis of provisional estimated values. Any subsequent corrections required following completion of the valuation process are accounted for within 12 months of the acquisition date.

If an element of the consideration depends on the outcome of future events, such element is included in the estimate of fair value at the time of the business combination.

The acquisition of further shares in subsidiaries and any sale of shares which do not lead to loss of control are accounted for as transactions between shareholders; as such, the accounting effects of such operations are reflected directly in the Group equity.

Associated companies

These are companies in which the Group has a significant influence over their financial and operating policies and which are neither subsidiaries nor joint ventures. The consolidated financial statements show the Group's portion of results of the associated companies, accounted for using the equity method, starting from the date when the significant influence began.

Joint ventures

These are companies over whose activities the Group has joint control, as established by contract. The consolidated financial statements include the Group's share of the results of joint ventures, reported using the equity method as per IAS 28 - Investment in associates and joint ventures amended.

Transactions eliminated upon consolidation

All transactions and balances between Group companies and all unrealized gains and losses arising on intercompany transactions are eliminated on consolidation.

Consolidation of foreign companies

All the assets and liabilities of foreign companies that report in a currency other than the Euro and which fall within the scope of consolidation are translated into Euro using the exchange rate ruling at the end of the reporting period (current exchange rate method). Income and costs are translated using average rates for the reporting period. The exchange differences arising from this method are booked directly to the "currency translation reserve" under consolidated net equity.

Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rate in force on the transaction date. Monetary assets and liabilities in foreign currency are translated using the exchange rate ruling on the reporting date. Exchange differences arising on the extinguishment of monetary items or their translation at different rates to those used for their translation upon initial recognition or in previous financial statements are recorded in the income statement.

Exchange differences arising on monetary items that are effectively part of the Group's net investment in foreign operations are classified in net equity until the investment's disposal, at which time such differences are recognized in the income statement as income or expenses.

Translation of balances in foreign currencies

The following exchange rates have been used:

		31.12.2022		31.12.2021		Variazione %	
		Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate (*)	Average exchange rate (*)
US dollar	USD	1.0666	1.0530	1.1326	1.1827	(5.83%)	(10.97%)
British pound	GBP	0.8869	0.8528	0.8403	0.8596	5.55%	(0.80%)
Hong Kong dollar	HKD	8.3163	8.2451	8.8333	9.1932	(5.85%)	(10.31%)
Chinese renminbi (Yuan)	CNY	7.3582	7.0788	7.1947	7.6282	2.27%	(7.20%)
Australian dollar	AUD	1.5693	1.5167	1.5615	1.5749	0.50%	(3.70%)
Canadian dollar	CAD	1.4440	1.3695	1.4393	1.4826	0.33%	(7.63%)
Japanese yen	JPY	140.6600	138.0274	130.3800	129.8767	7.88%	6.28%
Malaysian ringgit	MYR	4.6984	4.6279	4.7184	4.9015	(0.42%)	(5.58%)
New Zealand dollar	NZD	1.6798	1.6582	1.6579	1.6724	1.32%	(0.85%)
Polish zloty	PLN	4.6808	4.6861	4.5969	4.5652	1.83%	2.65%
South African rand	ZAR	18.0986	17.2086	18.0625	17.4766	0.20%	(1.53%)
Singapore dollar	SGD	1.4300	1.4512	1.5279	1.5891	(6.41%)	(8.68%)
Russian rouble	RUB	75.6553	72.3709	85.3004	87.1527	(11.31%)	(16.96%)
Turkish lira	TRY	19.9649	17.4088	15.2335	10.5124	31.06%	65.60%
Czech koruna	CZK	24.1160	24.5659	24.8580	25.6405	(2.98%)	(4.19%)
Swiss franc	CHF	0.9847	1.0047	1.0331	1.0811	(4.68%)	(7.07%)
Brazilian real	BRL	5.6386	5.4399	6.3101	6.3779	(10.64%)	(14.71%)
Croatian kuna	HRK	7.5365	7.5349	7.5156	7.5284	0.28%	0.09%
Ukrainian hryvnia	UAH	39.0370	34.0249	30.9219	32.2592	26.24%	5.47%
Romanian leu	RON	4.9495	4.9313	4.9490	4.9215	0.01%	0.20%
South Korean won	KRW	1,344.0900	1,358.0700	1,346.3800	1,354.0600	(0.17%)	0.30%
Chilean peso	CLP	913.8200	917.8300	964.3500	898.3900	(5.24%)	2.16%
Hungarian forint	HUF	400.8700	391.2865	369.1900	358.5161	8.58%	9.14%
Swedish krona	SEK	11.1218	10.6296	10.2503	10.1465	8.50%	4.76%
Mexican peso	MXN	20.8560	21.1869	23.1438	23.9852	(9.89%)	(11.67%)

(*) Source: Bank of Italy. Source for RUB period-end and average exchange rate of December 2022: Central Bank of Russia.

Main accounting policies

Intangible assets

Goodwill

Business combinations, whereby control of a company/entity is acquired, are accounted for in accordance with the purchase method, meaning that the assets and liabilities acquired are initially measured at their market value on the acquisition date. The difference between the cost of acquisition and the Group's share of net assets acquired is attributed to specific assets and liabilities to the extent of their acquisition date fair value; any remaining difference is allocated to goodwill, if positive, and to the income statement if negative. The cost of acquisition is determined on the basis of the acquisition date fair value of the assets transferred, the liabilities assumed, the equity instruments issued and any other related amount.

Goodwill is not amortized but tested for impairment once a year or more often if specific events or changed circumstances indicate that its value may have been impaired. This procedure is in accordance with IAS 36 - *Impairment of assets*. After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

Research and development costs

Developments costs for the production of new products or parts are recognized as assets only if the costs can be reliably determined, the Group has the intention and resources to complete them, the technical feasibility of completing them is such that they will be available for use, and the expected volumes and prices indicate that the costs incurred for development will generate future economic benefits.

Capitalized development costs include only those expenses that can be directly attributed to the development process.

Capitalized development costs are amortized on a systematic basis, starting from the commencement of production and lasting the length of the product or process's estimated life, generally ranging between three and five years. All other development costs are expensed to the income statement as incurred.

Research costs are also expensed to the income statement as incurred.

Trademarks

These are costs of long-term benefit incurred for the protection and dissemination of the Group's trademarks. Such costs are recognized as an asset when, in accordance with IAS 38 - *Intangible assets*, it is probable that the future economic benefits attributable to the asset's use will flow to the Group and when its cost can be reliably measured.

These assets are valued at purchase or production cost and amortized, if they have a finite life, on a straight-line basis over their estimated useful life, generally between 10 and 20 years.

Trademarks with an indefinite useful life are not amortized but tested for impairment once a year or more often, any time there are signs that their value might be impaired.

Other intangible assets

Other intangible assets purchased or internally generated are recognized as assets in accordance with IAS 38 - *Intangible assets*, when it is probable that the future economic benefits attributable to their use will flow to the Group and when the cost of the asset can be reliably measured.

These assets are valued at purchase or production cost and amortized, if they have a finite life, on a straight-line basis over their estimated useful life, generally between 10 and 20 years.

Property, plant and equipment

Land, property, plant and machinery

Buildings, plant and equipment owned by the Group are recorded at purchase or production cost and systematically depreciated over their residual useful lives. The land pertaining to buildings is not depreciated. The cost of assets qualifying for capitalization also includes the borrowing costs directly attributable to the acquisition, construction or production of the asset itself.

Subsequent expenditure is capitalized only if it increases the future economic benefits flowing to the enterprise.

Ordinary and/or routine maintenance and repair costs are directly expensed to the income statement when incurred. Costs relating to the expansion, modernization or improvement of owned or leased assets are capitalized to the extent that they qualify for separate classification as an asset or part of an asset under the component approach, whereby every component whose useful life and related value can be autonomously assessed must be treated individually.

All other costs are expensed to income as incurred.

The useful lives, estimated by the Group for its various categories of property, plant and equipment, are as follows:

Industrial buildings	10 - 33 years
Plant and machinery	5 - 18 years
Industrial and commercial equipment	3 - 5 years
Other	3-10 years

Right-of-use assets

In accordance with IFRS 16 the right-of-use asset is valued as the present value of future payments (discounted at the interest rate implicit in the lease, if easily determined, or alternatively, at the incremental borrowing rate, namely the interest rate that the lessee must pay over the term of the loan and similar guarantees), the initial costs incurred directly by the lessee, any advance lease payments made and the estimate of the costs for elimination, removal and restoration. The asset value is systematically depreciated.

Impairment of non-financial assets

The Group tests, at least once a year, whether the book value of intangible assets and property, plant and equipment reported in the financial statements has suffered any impairment loss. If there is evidence of impairment, book value is written down to the related recoverable amount.

If it is not possible to estimate the recoverable amount of an individual asset, the Group assesses whether the cash-generating unit to which it belongs is impaired.

In the case of goodwill and other intangible assets with indefinite useful lives, the impairment test must be carried out at least once a year, and whenever there is an indication that an intangible asset may be impaired.

Net assets held for sale and Discontinued Operations

Net assets and disposal groups are classified as held for sale or Discontinued Operations if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Net assets and disposal groups classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

Inventories

Inventories of raw materials, semi-finished and finished products are valued at the lower of cost and market value. Cost is determined using the weighted average cost method. The valuation of inventories includes the direct cost of materials and labour as well as indirect (variable and fixed) costs. Allowances for obsolete and slow-moving goods are calculated for materials and finished products, taking account of their future expected use and realizable value.

Financial instruments

Financial assets

Upon initial recognition, financial assets are classified based on the measurement methods used in one of the three categories found in IFRS 9. The classification depends on the nature of the contractual cash flows and the business model the company uses to manage them.

The business model refers to the way in which the cash flows are generated which can be from the collection of contractual cash flows, the sale of assets or both.

A financial asset is classified among the assets valued at amortized cost if held as part of a business model where the objective is collecting contractual cash flows represented solely by payments to be made on certain dates, principal and interest. The valuation is made based on the effective interest rate.

A financial asset is classified among the assets valued at fair value with changes passing through the comprehensive income statement if held as part of a business model where the objective is collecting contractual cash flows and selling the assets and the cash flows contemplated under the contract refer solely to payments of principal and interest made on predetermined dates. For the assets included in this category, the interest receivable, the foreign exchange differences and losses in value are recognized in the income statement for the reporting period; other changes in fair value are recognized in the comprehensive income statement. Upon elimination, the cumulative change in fair value recognized as other comprehensive income is released to the income statement.

During the initial recognition phase, equity instruments may be included in the category of assets measured at fair value with changes recognized in the comprehensive income statement.

The category of assets valued at fair value with changes recognized in the income statement include assets held for trading, namely acquired to be sold in the short-term, and the assets designated as such.

Upon initial recognition, equity instruments not held for trading may be included in the category of financial instruments measured at fair value with changes recognized in the comprehensive income statement. This choice may be made for each asset and is irrevocable.

The trade receivables without a significant financing component are valued at the transaction price determined in accordance with IFRS 15.

Financial liabilities

Financial liabilities refer mainly to loans valued at amortized cost based on the effective interest rate. Financial liabilities are derecognized when the underlying obligation is extinguished, cancelled or fulfilled.

Lease liabilities

Lease liabilities equal the present value of the payments payable and not yet paid at the date of the financial statements discounted at the interest rate implicit in the lease, if easily determined, or alternatively, at the incremental borrowing rate which is the rate that the lessee would pay on a loan with a similar duration and conditions. In the event the lease term, purchase options, the residual value guaranteed, or variable payments based on indices or rates, are redetermined, the lease liability is remeasured.

Derivatives

Derivatives are used solely for hedging purposes, in order to reduce exposures to currency and interest rate risk. As allowed by IFRS9, derivatives may qualify for special hedge accounting only when, at the inception of the hedge, the following conditions are satisfied:

- there is a formal designation that the instrument is a hedging one;
- there is formal documentation of the hedging relationship, which is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the different financial reporting periods for which it was designated.

In accordance with IFRS 9, all derivatives are measured at fair value.

If financial instruments qualify for hedge accounting, the following treatment applies:

Fair value hedge - If a derivative instrument is designated as a hedge of the exposure to changes in the fair value of a recognized asset or liability that is attributable to a particular risk that will affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value should be recognized in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the income statement.

Cash flow hedge - If a derivative instrument is designated as a hedge of the exposure to variability in cash flows attributable to a highly probable forecasted transaction which could affect profit or loss, the effective portion of the gains or losses on the hedging instrument is recognized directly in the statement of comprehensive income. The effective portion of the cumulative gains or losses is reversed from net equity and reclassified to profit or loss in the same period in which the hedged transaction is reported in the income statement. Gains or losses associated with a hedge or part thereof that has become ineffective are reclassified to the income statement. If a hedging instrument or hedging relationship is terminated, but the transaction being hedged has not yet occurred, the cumulative gains and losses, recorded up until then in the statement of comprehensive income, are reported in the income statement at the same time that the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the unrealized gains or losses reported directly in net equity are immediately reclassified to the income statement. If hedge accounting cannot be applied, the gains or losses arising from the fair value measurement of the derivatives are transferred immediately to the income statement.

Net investment hedge - Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in the statement of comprehensive income, while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Factoring of trade receivables

The Group factors some of its trade receivables. Trade receivables factored without recourse, resulting in the substantial transfer of the related risks and rewards, are derecognized from the financial statements at the time of their transfer. Receivables whose factoring does not result in the substantial transfer of the related risks and rewards, are retained in the statement of financial position.

The Group has entered a five-year agreement for the factoring of trade receivables, involving the revolving monthly transfer of a portfolio of trade receivables without recourse.

The receivables are assigned without recourse to a bank, which then transfers them to a special purpose entity which finances the purchase of the receivables by issuing asset-backed securities; the repayment of these securities, placed on the market and all subscribed by institutional investors, as well as the related interest, depends on the cash flow generated by the portfolio of securitized receivables. Receivables are sold at their face value, less a discount that reflects credit risk and the transaction's financial costs. The Group acts as servicer for the special purpose entity.

The contractual terms of this operation involve the substantial transfer of the risks and rewards relating to the securitized receivables and their consequent derecognition from the financial statements.

Employee benefits

Pension and other incentive plans

Net obligations relating to employee benefit plans, chiefly the provision for severance indemnities (for the portion retained in Group companies) and pension funds, are recorded at the expected future value of the benefits that will be received and which have accrued at the reporting date. The Group's obligation to finance defined benefit pension funds and the annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method.

Equity based compensation

The Group grants additional benefits to the Chief Executive Officer, a limited number of executives and key resources under the form of stock options. Based on IFRS 2 *Share-based payment*, the current value of the stock option determined on the grant date is recognized on a straight-line basis in the income statement as a payroll cost in the period between the grant date and the date on which the rights granted to employees, executives and others who routinely provide services to one or more Group companies parties fully vest, with a corresponding increase in equity.

At each reporting date the Group will revise estimates based on the number of options that are expected to vest, independent of the fair value of the shares. Any differences with respect to the original estimates will be recognized in the consolidated income statement with a corresponding increase in equity.

Once the stock option is exercised, the amounts received by the employee, net of transactions costs, will be added to the share capital in the amount of the nominal value of the shares issued. The remainder will be recognized in the share premium reserve.

The fair value of the stock options is determined using the Black-Scholes model which takes into account the conditions for the exercise of the right, the current share price, expected volatility, a risk free interest rate, as well as the non-vesting conditions.

The fair value of the stock options is included within the Stock option Reserve.

The dilutive effect of unexercised options will be reflected in the calculation of the diluted earnings per share.

Provisions for contingencies and other charges

The Group recognizes provisions for contingencies and charges when (i) it has a present obligation (legal or constructive) to third parties (ii) it is probable that the Group will need to employ resources to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation. Changes in these estimates are reflected in the income statement in the period in which they occur (also see the comments in the paragraph on "Estimates and assumptions").

Where the effect of the time value of money is material and the date of extinguishing the liability can be reasonably estimated, provisions are stated at the present value of the expected expenditure, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. An increase in the amount of the provision for the time value of money is accounted for in interest expense. Contingencies for which the probability of a liability is not probable but neither remote are disclosed in the notes but no provision is recognized.

Recognition of revenues

The item "Revenues" includes the consideration received for goods sold to customers and services rendered.

Revenues represent the consideration owed in exchange for the transfer of goods and/or services to the customer, excluding amounts received on behalf of third parties. The Group recognizes the revenue when contractual obligations are fulfilled, namely when control of the good or service is transferred to the customer.

Based on the five-step model introduced in IFRS 15, the Group recognizes revenue after the following requirements have been met:

a. the parties have approved the contract (in writing, orally or in accordance with other common commercial practices) and are committed to fulfilling the respective performance obligations; an agreement between the parties which creates rights and obligations regardless of the form of the agreement has, therefore, been created;

b. the rights of each of the parties in relation to the goods and services to be transferred can be identified;

c. the payment terms for the goods or services to be transferred can be identified;

d. the contract has commercial substance;

e. it is probable that the company will receive the consideration to which it is entitled in exchange for the goods or services transferred to the customer.

If the consideration referred to in the contract has a variable component, the Group will estimate the amount of the consideration it will be entitled to in exchange for the goods or services transferred to the customer.

The Group typically provides warranties for the repair of defects existing at the time of the sale, in accordance with the law. These warranties, which are standard warranties on quality, are accounted for in accordance with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*.

Costs and expenses

Costs and expenses are accounted for on an accrual basis.

Dividends

Dividend distributions represent a movement in net equity in the period in which they are declared by the shareholders in general meeting.

Dividends received are reported when the Group is entitled to receive the payment.

Income taxes

Income taxes include all the taxes calculated on the Group's taxable income. Income taxes are recorded in the income statement, except for those relating to items directly debited or credited to net equity, in which case the associated tax is recognized directly in net equity.

Deferred taxes are provided on the basis of global provision for the liability. They are calculated on all the temporary differences emerging between the tax base of an asset or liability and their book value in the consolidated financial statements, except for goodwill whose amortization cannot be deducted for tax purposes and those differences arising from investments in subsidiaries which are not expected to reverse in the foreseeable future. Deferred tax assets on the carryforward of unused tax losses and tax credits are recognized to the extent that it is probable that future taxable profit will be available against which these can be recovered. Current and deferred tax assets and liabilities may be offset when the income taxes are charged by the same tax authority and when there is a legal right of set-off. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on tax rates and laws applying in the countries where the Group operates.

Deferred taxes on reserves of distributable earnings in subsidiaries are recognized only if it is probable that such reserves will be distributed.

Any uncertaintiy regarding tax treatments is considered in the tax calculation in accordance with the recommendations of IFRIC 23 *Uncertainty over Income Tax Treatments*.

Earnings per share

Basic earnings per share are calculated by dividing the earnings for the year payable to the parent company's ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share are calculated by dividing the earnings for the year payable to the parent company's ordinary shareholders by the weighted average number of ordinary shares outstanding during the period and the shares potentially issued following the exercise of assigned stock options.

Estimates and assumptions

These financial statements, prepared in accordance with IFRS, contain estimates and assumptions made by the Group relating to assets and liabilities, costs, revenues and contingent liabilities at the reporting date. These estimates are based on past experience and assumptions considered to be reasonable and realistic, based on the information available at the time of making the estimate.

The assumptions relating to these estimates are periodically reviewed and the related effects reflected in the income statement in the same period: actual results could therefore differ from these estimates.

The following paragraphs discuss the principal assumptions used for estimation purposes and the principal sources of uncertainty, that have a risk of causing material adjustment to the book value of assets and liabilities in the future; details of book value can be found in the individual explanatory notes.

Allowance for doubtful accounts

The allowance for doubtful accounts reflects estimated losses on trade receivables recognized in the financial statements and not covered by insurance. The losses equal the difference between the amounts the Group is entitled to receive based on contracts with customers and the estimated inflows.

Changes in the economic environment could cause the performance of some of the Group's customers to deteriorate, with an impact on the recoverability of the uninsured portion of trade receivables.

Recoverable amount of non-current assets

The Group reviews all its non-financial assets at every reporting date for any evidence of impairment.

Goodwill and other intangible assets with an indefinite useful life are tested annually for impairment.

The recoverable amount of non-current assets is usually determined with reference to value in use, being the present value of the future cash flows expected from an asset's continuing use. The forecast cash flows are determined based on the information available when estimated based on the opinion of the directors regarding the future performance of certain variables - such as prices and the subsequent revenues, costs, increase in demand, production flows - which are discounted at a risk-adjusted rate. The test also involves selecting a suitable discount rate for calculating the present value of the expected cash flows.

Employee benefits

The cost of defined benefit pension plans is determined using actuarial valuations, based on statistical assumptions regarding discount rates, expected returns on investments, future salary growth and mortality rates.

The Group believes the rates estimated by its actuaries to be reasonable for the year-end valuations, but cannot rule out that large future changes in rates could have a material impact on the liabilities recognized in the financial statements.

Deferred tax assets recoverability

Deferred tax assets include those relating to carry-forward tax losses to the extent that there is likely to be sufficient future taxable profit against which such losses can be recovered.

Management must use their discretion when determining the amount of deferred tax assets for recognition in the financial statements. They must estimate the likely timing of reversal and the amount of future taxable profit, as well as the future tax planning strategy.

Provisions for contingencies

The Group makes several provisions against disputes or risks of various kinds relating to different matters falling under the jurisdiction of different countries. The determination, probability and quantification of these liabilities involve estimation processes that are often very complex, for which management uses all the available information at the date of preparing the financial statements, including with the support of legal and tax advisors.

Product warranty provisions

The Group makes provisions for the estimated cost of product warranties. Management establishes the amount of these provisions on the basis of past trends relating to the frequency and average cost of under-warranty repairs and replacement.

Change in the scope of consolidation

There were no changes in the scope of consolidation during 2022.

Disclosure by operating segments

Please refer to Note 42. Operating segments.

The report on operations contains comments on the economic results by geographical area.

Comments on the income statement

1. Revenues

In 2022 revenues, including revenues from sales and services and other revenues, amount to €3,158,433 thousand (€3,221,587 thousand in 2021). Revenues are broken down by geographical area as follows:

	2022	% revenues	2021	% revenues	Change	Change %
Europe	1,874,594	59.4%	2,076,291	64.4%	(201,697)	(9.7%)
Americas	623,381	19.7%	562,751	17.5%	60,630	10.8%
Asia Pacific	463,867	14.7%	400,277	12.4%	63,590	15.9%
MEIA (Middle East/India/Africa)	196,591	6.2%	182,268	5.7%	14,323	7.9%
Total	**3,158,433**	**100.0%**	**3,221,587**	**100.0%**	**(63,154)**	**(2.0%)**

Comments on the most significant changes can be found in the “Markets” section of the report on operations.

“Other revenues” is broken down as follows:

	2022	2021	Change
Freight reimbursement	5,425	4,796	629
Commercial rights	2,727	2,375	352
Grants and contributions	1,213	1,329	(116)
Damages reimbursed	836	35	801
Out-of-period gains	58	12	46
Other income	21,234	16,787	4,447
Total	**31,493**	**25,334**	**6,159**

With regard to Law n. 124 of 4 August 2017, which regulates transparency in public funding, the item “Grants and contributions” includes income of €365 thousand stemming from the incentives granted by Gestore dei Servizi Energetici GSE S.p.A. for the production of energy at the Mignagola (TV) plant through photovoltaic systems connected to the grid.

2. Raw and ancillary materials, consumables and goods

The breakdown is as follows:

	2022	2021	Change
Parts	553,168	766,396	(213,228)
Finished products	522,825	691,435	(168,610)
Raw materials	95,906	149,916	(54,010)
Other purchases	22,816	22,425	391
Total	**1,194,715**	**1,630,172**	**(435,457)**

3. Change in inventories

The difference between the overall change in inventories reported in the income statement and the change in balances reported in the statement of financial position is mainly due to differences arising on the translation of foreign subsidiaries financial statements. In 2022, the item includes non-recurring income totalling €1,924 thousand (non-recurring expense of €14,978 thousand in 2021), which refers to the economic impact of the purchase price allocations of the acquisitions of Capital Brands and Eversys.

4. Payroll costs

These costs include €114,136 thousand in production-related payroll (€132,442 thousand at 31 December 2021).

	2022	2021	Change
Employee wages and salaries	329,987	345,002	(15,015)
Temporary workers	26,723	40,970	(14,247)
Total	**356,710**	**385,972**	**(29,262)**

In 2022, the item includes non-recurring income of €500 thousand (non-recurring expense of €10,667 thousand in 2021), referring to the economic impact of the purchase price allocation of the recent acquisitions.

The figures relating to the cost of employee benefits provided by certain Group companies in Italy and abroad are reported in note 35. *Employee Benefits*.

The item includes €867 thousand relating to the notional cost (fair value) of the stock option plan 2020-2027 (€3,578 thousand at 31 December 2021), whose calculation has been revised following the change in the number of the participants; please refer to note 28. *Stock option plans* for more information.

The average size of the Group's workforce during the year is analyzed as follows:

	2022	2021
Blue collars	5,928	6,694
White collars	3,226	3,074
Managers	296	301
Total	**9,450**	**10,069**

5. Services and other operating expenses

These are detailed as follows:

	2022	2021	Change
Promotional expenses	262,855	251,610	11,245
Advertising	163,013	154,566	8,447
Transport (for purchases and sales)	191,023	214,521	(23,498)
Subcontracted work	40,278	67,342	(27,064)
Consulting services	40,241	37,798	2,443
Storage and warehousing	40,422	29,439	10,983
Technical support	25,413	21,199	4,214
Rentals and leasing	31,820	19,331	12,489
Commissions	17,227	16,223	1,004
Power	13,951	12,769	1,182
Insurance	10,503	8,928	1,575
Product certification and product inspection fees	7,347	6,949	398
Travel	10,766	6,064	4,702
Directors' emoluments	4,714	5,943	(1,229)
Statutory auditors' emoluments	301	268	33
Maintenance	5,078	5,277	(199)
Postage, telegraph and telephones	4,948	4,402	546
Other utilities and cleaning fees, security, waste collection	5,495	4,058	1,437
Other sundry services	51,220	46,614	4,606
Total services	**926,615**	**913,301**	**13,314**
Sundry taxes	50,450	71,427	(20,977)
Bad debts	236	62	174
Out-of-period losses	29	28	1
Other	10,166	12,595	(2,429)
Total other operating expenses	**60,881**	**84,112**	**(23,231)**
Total	**987,496**	**997,413**	**(9,917)**

In 2022 the item includes net non-recurring expenses for €1,432 thousand (net non-recurring income of €289 thousand at 31 December 2021).

In 2022 the item "Rentals and leasing" includes €2,115 thousand in commercial rights (€1,721 thousand in 2021).

In addition, it includes operating costs relating to contracts that are not or do not contain a lease (€26,779 thousand, €11,519 thousand in 2021), as well as costs relating to leases of less than twelve months' duration (€2,424 thousand, €5,771 thousand in 2021) or relating to low-value assets (€502 thousand, €320 thousand in 2021); for further information, please refer to note 15. *Leases*.

6. Provisions

These include €24,863 thousand in provisions for contingencies and other charges and a net release of €4,944 thousand in provisions for doubtful accounts. The main changes in this item are discussed in note 36.*Other provisions for non-current contingencies and charges*.

In 2022 this item includes non-recurring income of €7,258 thousand (net costs of €5,406 thousand in 2021) stemming from the revised valuation of assets in Ukraine following the partial recovery of activities in a few areas of the country which resulted in the payment of part of the receivables which had previously been written down and the economic impact of the purchase price allocation stemming from the acquisitions of Capital Brands and the Eversys Group.

7. Amortization

The breakdown is as follows:

	2022	2021	Change
Amortization of intangible assets	24,267	21,886	2,381
Depreciation of property, plant and equipment	59,047	51,504	7,543
Depreciation of Right of Use assets	22,524	20,289	2,235
Total	**105,838**	**93,679**	**12,159**

More details about amortization and depreciation can be found in the tables reporting movements in intangible assets and property, plant and equipment.

8. Non-recurring income/(expenses)

In these financial statements, some items of a non-recurring nature resulting in net income of €8,250 thousand were shown separately. This item includes gains on the revised valuation of assets in Ukraine which were revalued as activity resumed in a few areas of the country which resulted in the collection of part of the receivables and in the utilization of inventories that had previously been written down. It also includes the donation of €1,000 thousand made to support people affected by the conflict and the economic impact of the purchase price allocation made as a result of recent acquisitions.

The non-recurring amounts are shown in the income statement, in the corresponding item of the statement.

9. Net financial income (expenses)

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

	2022	2021	Change
Exchange differences and gains (losses) on currency hedges (*)	**(3,250)**	**(655)**	**(2,595)**
Fair value re-measurement of Eversys n.c.i.	**-**	**25,329**	**(25,329)**
Share of profit of equity investments consolidated by the equity method	**(1,134)**	**(813)**	**(321)**
Other expenses on equity investments	**(2,800)**	**-**	**(2,800)**
Net interest expense	(9,550)	(4,834)	(4,716)
Interest for leasing	(1,573)	(1,475)	(98)
Other financial income (expenses)	(7,034)	(4,231)	(2,803)
Other net financial income (expenses)	**(18,157)**	**(10,540)**	**(7,617)**
Net financial income (expenses)	**(25,341)**	**13,321**	**(35,862)**

(*) The item includes €5 thousand relating to exchange rate losses on leases accounted for in accordance with IFRS 16 Leases.

"Exchange differences and gains (losses) on currency hedges" includes the rate differentials on currency risk hedges, as well as the exchange differences linked to consolidation.

"Share of profit of equity investments consolidated by the equity method" includes income from the joint venture TCL/DL, dedicated to the manufacture of portable air conditioners and the financial expense related to the investment in NPE S.r.l., a supplier of electronic components.

"Other expenses on equity investments" refer to the adjustment of the fair value of the option for the acquisition of the minority interests on the Eversys company based in UK.

"Net interest" includes bank interest on the Group's financial debt (recalculated using the amortized cost method, as a result of which interest expense was recognized in advance of actual payment) and the cost of other financial instruments, net of the interest received on the Group's investments.

Interest on leases is equal to the portion of financial expenses payable matured in the reporting period on a liability, recognized in accordance with IFRS 16 *Leases*. For more information see note 15.Leases.

"Other financial income (expenses)" include bank charges, financial expenses arising from the actuarial calculation of the long-term employee benefits and temporary losses arising from investments evaluated at fair value through profit and loss.

In 2021, "Fair value re-measurement of Eversys n.c.i." included the non-recurring gain recognized after the business combination of Eversys Group, completed in stages, was completed and the interest already held by the Group was redetermined based on the fair value of the assets acquired.

10. Income taxes

These are analyzed as follows:

	2022	2021	Change
Current income taxes:			
- Income taxes	37,975	102,620	(64,645)
- IRAP (Italian regional business tax)	2,796	8,443	(5,647)
Deferred (advanced) taxes	17,583	(22,561)	40,144
Total	**58,354**	**88,502**	**(30,148)**

This item includes the estimated tax credit for research and development pursuant to Law 190/2014 for the current year.

"Deferred (advanced) taxes" include the taxes calculated on the temporary differences arising between the accounting values of assets and liabilities and on the corresponding tax base (particularly for taxed provisions recognized by the parent company and its subsidiaries) and on the distributable income of the subsidiaries. They also include the benefit arising from the carryforward of unused tax losses which are likely to be used in the future and the deferred liabilities recognized for €9.8 million stemming from the possible release of distributable profit reserves of a few Group companies in accordance with Law 197/2022.

The actual and theoretical tax charge are reconciled as follows:

	2022	%	2021	%
Profit before taxes	238,197	100.0%	400,251	100.0%
Theoretical taxes	57,167	24.0%	96,060	24.0%
Other (*)	(1,609)	(0.7%)	(16,001)	(4.0%)
Total income taxes	**55,558**	**23.3%**	**80,059**	**20.0%**
IRAP (Italian regional business tax)	2,796	1.2%	8,443	2.1%
Actual taxes	**58,354**	**24.5%**	**88,502**	**22.1%**

(*) Mostly refers to the net tax effect of permanent differences, of different tax rates applied abroad relative to the theoretical ones applied in Italy, of adjustments on prior years taxes and of non-recurring items.

Comments on the statement of financial position: assets

Non-current assets

11. Goodwill

	31.12.2022		31.12.2021	
	Gross	Net	Gross	Net
Godwill	380,501	373,754	365,152	358,405

The change in "Goodwill" is explained by the translation at 31 December 2022 of goodwill in currency following the acquisition of international operations.

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

For the purposes of impairment testing, goodwill is allocated to the CGUs (cash generating units), namely the historic divisions De' Longhi, Kenwood and Braun, as well as the recently acquired Capital Brands and Eversys, as follows:

Cash-generating unit	**31.12.2022**
De' Longhi	26,444
Kenwood	17,120
Braun	48,836
Capital Brands	189,735
Eversys	91,619
Total	**373,754**

The objective of the impairment test is to determine the value in use of the CGU to which the goodwill refers, meaning the present value of the future cash flows expected to be derived from continuous use of the assets; any cash flows arising from extraordinary events are therefore ignored.

More specifically, value in use is determined by applying the discounted cash flow method to forecast cash flows contained in plans prepared assuming realistic growth scenarios based on the information available at the reporting date, including the 2023 budget approved by the Board of Directors.

Plan data was projected beyond the explicit planning period, of not more than five years, determined based on common valuation practices, namely using a perpetuity growth rate that was no higher than those expected for the markets in which the individual CGUs operate. The growth rate in terminal values used for projecting beyond the planning period was therefore in a range of 2.1% to 2.3% for the different CGUs, deemed representative of a precautionary growth rate in terminal values.

The cash flows and discount rate were determined net of tax.

The discount rates utilized, which vary between 6.3% and 8.2% for the different cash-generating units, therefore, reflect the estimated market valuations and the time value of money at the reporting date, as well as sector risks.

The impairment tests carried out at the end of 2022 have not revealed any other significant evidence of goodwill impairment.

With regard to the CGUs De' Longhi and Kenwood, which comprise the Group's traditional business, the recoverable amounts shown in the impairment tests and the sensitivity analysis are much higher than book value.

For the Braun CGU and the more recently acquired CGUs Capital Brands and Eversys, the recoverable amount determined by the test was much higher than book value.

The results obtained using the discounted cash flow method have been tested for their sensitivity to changes in certain key variables, within reasonable ranges and on the basis of mutually consistent assumptions. The variables altered were the discount rate (between 6.1% and 8.4%) and the growth rate in terminal value (in the range 1.9%-2.5%).

The estimated recoverable amounts for all the CGUs, however, were higher than book value and the sensitivity analyses point to relatively stable results; in fact, the minimum and maximum amounts diverged by around 10% from the central point when both variables were altered.

In light of the current situation of uncertainty attributable to the conflict in Ukraine, above all in Europe, caution is also called for when making economic forecasts. Therefore, in light of the fact that impairment testing is based on forecasts and that to date the data used for these forecasts is subject to uncertainty, for the purposes of impairment testing, it was deemed opportune to also model a more cautious scenario which includes a slowdown in Russia and Ukraine that lasts for a longer period of time.

Only the CGUs Braun and Capital Brands were subject to this sensitivity analysis, as their economic forecasts take into account a gradual recovery of the business in these markets in the future.

This analysis confirmed the results of the impairment test.

Group Board of Directors approved the assumptions and the criteria used to perform the impairment tests.

However, estimating CGU recoverable amount requires management to make discretionary judgements and estimates. In fact, several factors also associated with developments in the difficult market context could make it necessary to reassess the value of goodwill. The Group will be constantly monitoring those events and circumstances that might make it necessary to perform new impairment tests.

12. Other intangible assets

These are analyzed as follows:

	31.12.2022		31.12.2021	
	Gross	**Net**	**Gross**	**Net**
New product development costs	136,347	19,407	125,616	19,704
Patents	77,196	32,152	74,830	33,436
Trademarks and similar rights	443,346	336,579	434,171	327,688
Work in progress and advances	26,742	25,522	23,246	22,663
Other	139,002	103,767	132,548	105,981
Total	**822,633**	**517,427**	**790,411**	**509,472**

The following table reports movements in the main asset categories during 2022:

	New product develop-ment costs	Patents	Trade-marks and similar rights	Work in progress and advances	Other	Total
Net opening balance	**19,704**	**33,436**	**327,688**	**22,663**	**105,981**	**509,472**
Additions	1,593	526	191	12,842	130	15,282
Amortization	(11,028)	(3,650)	(284)	(637)	(8,668)	(24,267)
Translation differences and other movements (*)	9,138	1,840	8,984	(9,346)	6,324	16,940
Net closing balance	**19,407**	**32,152**	**336,579**	**25,522**	**103,767**	**517,427**

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

The principal additions refer to the capitalization of new product development projects, based on detailed reporting and analysis of the costs incurred and the estimated future usefulness of such projects.

The Group has capitalized a total of €14,410 thousand in development costs as intangible assets in 2022, of which €1,593 thousand in "New product development costs" for projects already completed at the reporting date and €12,817 thousand in "Work in progress and advances" for projects still in progress.

"Patents" mostly refers to internal development costs and the subsequent cost of filing for patents and to costs for developing and integrating data processing systems. The increase refers primarily to the purchase of software licenses.

"Trademarks and similar rights" includes a few trademarks calculated based on an indefinite useful life in accordance with IAS 38, taking into account, above all, brand awareness, economic benefits, reference market characteristics, brand specific strategies and the amount of investments made to sustain the brands: €79.8 million for the "De' Longhi" trademark, €95.0 million for the perpetual license over the "Braun" brand, €124.3 million for the Nutribullet/MagicBullet trademark, and €36.9 million for the Eversys trademark.

The impairment test carried out at the end of 2022 for brands with an indefinite useful life, in order to confirm the result of the impairment test already conducted to verify the invested capital allocated to each CGU (described in note 11. Goodwill), did not reveal any evidence that these assets might have suffered an impairment loss.

The method used to test impairment involves discounting to present value the royalties that the Group would be able to earn from permanently granting third parties the right to use the trademarks in question.

This method, which is based on royalty cash flows and reasonably estimated sales volumes, is the most commonly used for company valuation purposes since it is able to provide a suitable expression of the relationship between the strength of the trademark and business profitability.

The discount rates used, which vary between 7.0% and 9.0% net of tax, reflect market valuations and the time value of money at the reporting date. The growth rate in terminal values used for projecting beyond the planning period was in a range of 2.1% to 2.3% for the different CGUs, deemed representative of a precautionary growth rate in terminal values.

The cash flows discounted to present value are stated net of tax (in keeping with the discount rate).

The results of the impairment test have been tested for their sensitivity to changes in certain key variables, within reasonable ranges and on the basis of mutually consistent assumptions. The variables altered were the discount rate (between 6.8% and 9.2%) and the growth rate in terminal value (in the range 1.9%-2.5%).

As already described in note 11. Goodwill, in light of the current situation of uncertainty attributable to the conflict in Ukraine it was deemed opportune, solely for the purposes of impairment testing, to also model a more cautious scenario which contemplates a slowdown in Russia and Ukraine that lasts for a longer period of time. Only the brands with an indefinite useful life, Braun and Capital Brands, were subject to this sensitivity analysis as the relative economic forecasts take into account a gradual recovery of the business in these markets in the future. The sensitivity analysis using both actuarial (changes in the discount and growth rates) and economic (business fails to restart in Russia and Ukraine even over a longer period of time) revealed relatively stable results; in fact, the minimum and maximum amounts had a deviation of around 10% when both variables were changed.

The scenarios modeled for the purposes of the sensitivity test above would, however, result in a decrease in the present value of the flows over the horizon of the plan, as well as in the terminal value, which could cause a loss in value for both Braun and Capital Brands, albeit limited to around 5% of the aggregate book value of the two brands.

"Other intangible assets" is explained primarily by the value of the portfolio recognized following allocation of the purchase price to Capital Brands, subject to amortization based on the estimated useful life.

13. Land, property, plant and machinery

These are analyzed as follows:

	31.12.2022		31.12.2021	
	Gross	**Net**	**Gross**	**Net**
Land and buildings	204,008	147,834	175,020	126,100
Plant and machinery	169,842	62,984	161,852	52,846
Total	**373,850**	**210,818**	**336,872**	**178,946**

The following table reports movements during 2022:

	Land and buildings	Plant and machinery	Total
Net opening balance	**126,100**	**52,846**	**178,946**
Additions	28,562	16,274	44,836
Disposals	(11)	(51)	(62)
Amortization	(8,275)	(11,275)	(19,550)
Translation differences and other movements	1,458	5,190	6,648
Net closing balance	**147,834**	**62,984**	**210,818**

The increases and other movements in "Land and buildings" refer mainly to the purchase of the new plant in Romania (roughly €21 million) and the investments made in the development of the new headquarters in Treviso.

The investments in "Plants and machinery" refer mainly to increases of the production lines for coffee machine in Italy and to the purchases of machinery for the plants in Romania. The other movements refer, first of all, to the reclassification of the amount relating to the investments made in the previous years in the production plants (in China, Romania) previously classified under tangible assets in progress.

14. Other tangible assets

Other tangible assets are analyzed as follows:

	31.12.2022		31.12.2021	
	Gross	Net	Gross	Net
Industrial and commercial equipment	383,603	76,200	363,063	71,046
Other	101,575	27,882	99,046	26,967
Work in progress and advances	53,989	53,989	37,800	37,800
Total	**539,167**	**158,071**	**499,909**	**135,813**

The following table reports movements during 2022:

	Industrial and commercial equipment	Other	Work in progress and advances	Total
Net opening balance	**71,046**	**26,967**	**37,800**	**135,813**
Additions	26,247	11,423	31,132	68,802
Disposals	(139)	(289)	(4)	(432)
Amortization	(29,253)	(10,244)	-	(39,497)
Translation differences and other movements	8,299	25	(14,939)	(6,615)
Net closing balance	**76,200**	**27,882**	**53,989**	**158,071**

The additions to "Industrial and commercial equipment" refer primarily to the purchase of moulds for the manufacturing of new products.

The increase in "Work in progress" refers mainly to the improvements at the plants in Romania and China and the development plan for the headquarter offices.

15. Leases

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

Movements in the leased right of use assets in 2022 are shown below:

	Land and buildings	Industrial and commercial equipment	Plant and machinery	Other	Total
Net opening balance	**67,976**	**1,879**	**11**	**3,853**	**73,719**
Additions	21,339	1,472	2,400	2,928	28,139
Disposals	(1,074)	(3)	-	(148)	(1,225)
Amortization	(19,494)	(592)	(72)	(2,366)	(22,524)
Translation differences and other movements	(118)	4	-	15	(99)
Net closing balance	**68,629**	**2,760**	**2,339**	**4,282**	**78,010**

In 2022, the result for the period includes depreciation and amortization for €22,524 thousand, interest payable for €1,573 thousand and exchange gains for €5 thousand, while €23,610 thousand in lease payments were reversed.

At 31 December 2022 financial liabilities for leases of €80,824 thousand (of which €60,360 thousand expiring beyond 12 months) and financial assets for advanced payments of €317 thousand, included in "Current financial receivables and assets", were recognized in the financial statements (please refer to note 24).

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

	Undiscounted flows at 31.12.2022	Payable within one year	Payable in 1-5 years	Payable in more than five years
Lease liabilities	85,901	21,892	43,919	20,090

The adoption of IFRS 16 Lease affected Group net equity at 31 December 2022 for €2,187 thousand.

16. Equity investments

Details of equity investments are as follows:

	31.12.2022	31.12.2021
Equity investments consolidated using the equity method	6,052	7,280
Investment measured at fair value	51	51
Total	**6,103**	**7,331**

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

The changes in 2022 are shown below:

	31.12.2022
Net opening balance	**7,280**
Interest in net profit	(1,134)
Exchange rate differences	(94)
Changes through OCI	-
Net closing balance	**6,052**

17. Non-current receivables

The balance at 31 December 2022 of €5,609 thousand refers to security deposits (€4,604 thousand at 31 December 2021).

18. Other non-current financial assets

This item includes investments made as part of the Group's liquidity management with primary counterparts, namely financial assets that will be held until maturity consistent with the business model objective to receive contractual cash flows (principal and interest) at specific maturities which were, therefore, accounted for using the amortized cost method.

The item includes mainly €20,540 thousand relating to two bonds with a total nominal value of €20,000 thousand, maturing in 2026 and 2027, respectively, €51,213 thousand relating to four floating rate notes, maturing in 2026 and 2027 with semi-annual and quarterly coupons (par value of €100,200 thousand) and €2,020 thousand relating to the fair value of derivatives.

No signs of impairment emerged about the balances recognized in the financial statements.

19. Deferred tax assets and deferred tax liabilities

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

	31.12.2022	31.12.2021
Deferred tax assets	64,634	74,297
Deferred tax liabilities	(83,254)	(70,070)
Net closing balance	**(18,620)**	**4,227**

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

The net balance is analyzed as follows:

	31.12.2022	31.12.2021
Temporary differences	(27,548)	575
Tax losses	8,928	3,652
Net closing balance	**(18,620)**	**4,227**

The change in the net asset balance reflects an increase of €525 thousand through equity recognized in the "Fair value and cash flow hedge reserve" following the fair value measurement of securities and cash flow hedges, and a decrease of €2,970 thousand recognized in "Profit (loss) carried forward" relating to the actuarial gains and (losses) recognized in the comprehensive income statement in accordance with IAS 19 - Employee Benefits.

Current assets

20. Inventories

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

	31.12.2022	31.12.2021
Finished products and goods	426,336	628,717
Raw, ancillary and consumable materials	152,934	143,280
Work in progress and semi-finished products	27,421	43,909
Inventory writedown allowance	(56,032)	(46,653)
Total	**550,659**	**769,253**

The value of inventories is stated after deducting an allowance for obsolete or slow-moving goods totaling €56,032 thousand (€46,653 thousand at 31 December 2021) in relation to products and raw materials that are obsolete and slow-moving or are no longer of strategic interest to the Group.

21. Trade receivables

These are analyzed as follows:

	31.12.2022	31.12.2021
Trade receivables		
- due within 12 months	289,402	381,933
- due beyond 12 months	-	-
Allowance for doubtful accounts	(10,591)	(15,265)
Total	**278,811**	**366,668**

Trade receivables are stated net of an allowance for doubtful accounts of €10,591 thousand, representing a reasonable estimate of the expected losses during the entire life of the receivables. The allowance takes account of the fact that a significant portion of the receivables are covered by insurance policies with major insurers.

Movements in the allowance for doubtful accounts are shown in the following table:

	31.12.2021	Provisions/ Releases	Utilization	Translation differences and other movements	31.12.2022
Allowance for doubtful accounts	15,265	(4,944)	(20)	290	10,591

The change in the allowance is explained mainly by the revised valuation of assets in Ukraine following the partial recovery of activities in a few areas of the country which resulted in the payment of part of the receivables which had previously been written down and by provisions for expected losses and the utilization during the year to cover bad debt for which provisions had already been made.

The Group has received guarantees from customers as collateral against trade balances; in addition, a significant portion of the receivables are covered by insurance policies with major insurers. More details can be found in note 43. Risk management.

In accordance with the disclosure required by Consob Circular 3369 of 9 April 1997, we report that the total amount of receivables factored without recourse and outstanding at 31 December 2022 is €186,814 thousand (€198,216 thousand at 31 December 2021). The total amount of receivables factored by the Group (turnover) during 2022 (under Law 52/1991 known as the Factoring Law) was €797,712 thousand (€848,010 thousand during 2021).

22. Current tax assets

These are analyzed as follows:

	31.12.2022	31.12.2021
Direct tax receivables	10,240	3,642
Tax payments on account	2,894	3,527
Tax refunds requested	2,378	2,323
Total	**15,512**	**9,492**

There are no current tax assets due beyond 12 months.

23. Other receivables

"Other receivables" are analyzed as follows:

	31.12.2022	31.12.2021
VAT	6,282	22,646
Prepaid insurance costs	3,843	2,175
Advances to suppliers	3,931	4,475
Other tax receivables	1,732	1,837
Employees	308	210
Other	13,788	11,805
Total	**29,884**	**43,148**

This item includes other receivables due beyond 12 months of €6 thousand.

24. Current financial receivables and assets

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

	31.12.2022	31.12.2021
Fair value of derivatives	11,691	11,062
Advances for leasing contracts	317	365
Fair value of other current financial assets	87,666	90,528
Other current financial assets	268,680	200,122
Total	**368,354**	**302,077**

More details on the fair value of derivatives can be found in note 43. Risk management.

"Other current financial assets" includes the amount of investments made as part of liquidity management valued at amortized cost.

25. Cash and cash equivalents

This balance consists of surplus liquidity on bank current accounts and other cash equivalents, mostly relating to customer payments received at period end and temporary cash surpluses.

Some of the Group's foreign companies have a total of €160.3 million in cash on bank accounts held at the same bank. These cash balances form part of the international cash pooling system and are partially offset by €153.3 million in overdrafts held at the same bank by other foreign companies. This bank therefore acts as a "clearing house" for the Group's positive and negative cash balances. Considering the substance of the transactions and technical workings of the international cash pooling system, the positive and negative cash balances have been netted against one another in the consolidated statement of financial position, as permitted by IAS 32.

The cash balances at 31 December 2022 include €57 thousand in current accounts of certain subsidiaries, that are restricted, having been given as collateral.

26. Non-current assets held for sale

The item refers to the value of the freehold property of a subsidiary which was classified under non-current assets held for sale, as required under IFRS 5 - Non-current assets held for sale and discontinued operations, as the Group had begun looking for a buyer and the sale of the property and appurtenances closed in January 2023.

The amount corresponds to the net carrying amount, insofar as it is not less than the price agreed upon by the parties net the selling costs.

	31.12.2021	Translation differences	31.12.2022
Non-current assets held for sale	1,055	134	1,189

Comments on the statement of financial position: net equity and liabilities

Net equity

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

On 20 April 2022 the Shareholders' Meeting of De' Longhi S.p.A. resolved to distribute a total of €124,501 thousand as dividends, of which €124,150 thousand was paid during 2022.

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

27. Treasury shares

At 31 December 2022 the Group, through the parent company De' Longhi S.p.A., held 895,350 treasury shares for a total of €14,534 thousand, purchased in previous years.

During the Shareholders' Meeting held on 20 April 2022, shareholders approved the renewal - after revoking the previous authorization granted by shareholders - of the authorization to purchase and sell treasury shares for up to a maximum of 14.5 million ordinary shares or an amount which does not exceed one fifth of the share capital, including any shares held by the Company or any of its subsidiaries. The buyback program was approved, in accordance with the law, for a period of up to a maximum of 18 months (namely through 20 October 2023).

28. Stock option plans

At 31 December 2022 a share-based incentive plan approved during De' Longhi S.p.A.'s Annual General Meeting held on 22 April 2020, the "Stock Option Plan 2020-2027", was in place.

In the face of the plan, the Shareholders' Meeting decided on a further increase in the share capital of nominal maximums Euro 4,500,000 to be carried out through the 3,000,000 ordinary shares, with a nominal value of Euro 1.5 each having the same characteristics as ordinary shares outstanding on the date of issue, with regular enjoyment, intended, if the shares in the portfolio do not were capacious.

The aim of the plan is to encourage the loyalty of the beneficiaries, encouraging their stay in the Group, linking their remuneration to the implementation of the company strategy in the medium to long term.

The overall duration of the plan is about 8 years and in any case the deadline is set for 31 December 2027.

The beneficiaries were identified by the Board of Directors based on the proposal of the Remuneration and Appointments Committee or the Chief Executive Officer, after having consulted with the Board of Statutory Auditors.

The options are granted free of charge: the beneficiaries, therefore, will not be expected to pay any sort of consideration upon assignment. Conversely, exercise of the option and the resulting subscription of the shares will be subject to payment of the exercise price.

Each option grants the right to subscribe one share at the conditions set out in the relative regulations.

The exercise price shall be equal to the arithmetic average of the official market price of the Company's shares recorded on the "Euronext Milan" managed by Borsa Italiana S.p.A. 180 calendar days prior to the date on which the 2020-2027 Plan and the relative regulations were approved by shareholders during the Annual General Meeting. This period of time is sufficient to limit the impact that any volatility caused by the Coronavirus crisis could have on the stock price.

The options may be exercised by the Beneficiaries - on one or more occasions - solely and exclusively during the exercise period, namely during the following timeframes:

- between 15 May 2023 and 31 December 2027 for up to a total maximum amount equal to 50% of the total options assigned each beneficiary, without prejudice to the black-out periods referred to in Art. 12 of the Regulations;
- between 15 May 2024 and 31 December 2027 for the remaining 50% of the total options assigned each beneficiary, without prejudice to the black-out periods referred to in Art. 12 of the Regulations.

Any option not exercised by the end of the exercise period will be automatically expire and the beneficiary will have no right to any compensation or indemnity.

All shares will have regular dividend rights and, therefore, will be the same as all other shares outstanding at their issue date, and will be freely transferrable by the beneficiary.

Please refer to the Annual Report on the Remuneration Policy and Compensation Paid for more information on the Plan.

At 31 December 2021 stock options on 2,360,000 shares had been assigned; during the year the total fell to 1,560,000 shares following the resignation of the Chief Executive Officer.

For the purposes of valuation under IFRS 2 - Share-based payments, two different tranches were defined for each award which contain the same number of options broken down equally into the plan's two exercise periods. The fair value of each tranche is different.

The fair value of the stock options at the assignment date is determined using the Black-Scholes model which takes into account the conditions for the exercise of the right, the current share price, expected volatility, a risk-free interest rate, as well as the non-vesting conditions.

Volatility is estimated based on the data of a market information provider and corresponds to the estimated volatility of the stock over the life of the plan.

The fair value of the options assigned on the date of this Report and the assumptions made for its evaluation are as follows:

	Award (05.04.2020)	Award (05.14.2020)	Award (05.15.2020)	Award (05.20.2020)	Award (11.05.2020)
First tranche fair value	4.4283	4.591	4.4598	4.4637	12.402
Second tranche fair value	4.3798	4.536	4.4034	4.4049	12.0305
Expected dividends (Euro)	2.80%	2.80%	2.80%	2.80%	2.80%
Estimated volatility (%)	35.00%	34.00%	33.00%	32.00%	28.00%
Historic volatility (%)	37.00%	37.00%	37.00%	37.00%	37.00%
Market interest rate	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)
Expected life of the options (years)	7.7	7.7	7.7	7.7	7.7
Exercise price (Euro)	16.982	16.982	16.982	16.982	16.982

The 7-year share-based incentive plan "Stock Option Plan 2016-2022", approved during the Shareholders' Meeting held on 14 April 2106, expired on 31 December 2022. For more information on the plan's characteristics refer to the Annual Report 2021.

A total of 1,560,000 options were exercised under this plan, of which 1,396,092 in previous years. The options assigned, but not exercised by the expiration date, lapsed and the beneficiary is not entitled to any indemnity or damages of any kind as per the Regulations. The relative reserve was, consequently, transferred to the Extraordinary Reserve.

29. Share capital

Share capital was made up of 150,896,092 ordinary shares of par value €1.5 each, for a total of €226,344 thousand at 31 December 2021.

During 2022, 163,908 options relating to the 2016-2022 Stock Option Plan were exercised at an exercise price of €20.4588 and, consequently, the same number of shares were subscribed.

The share capital at 31 December 2022 comprises 151,060,000 ordinary shares with a par value of €1.5 for a total of €226,590 thousand.

30. Reserves

The details are as follows:

	31.12.2022	31.12.2021	Change
Share premium reserve	38,268	34,300	3,968
Legal reserve	45,269	45,168	101
Other reserves:			
- Extraordinary reserve	172,733	188,113	(15,380)
- Fair value and cash flow hedge reserve	497	3,865	(3,368)
- Stock option reserve	6,373	8,488	(2,115)
- Reserve for treasury shares	(14,534)	(14,534)	-
- Currency translation reserve	74,280	45,638	28,642
- Profit (loss) carried forward	932,213	720,097	212,116
Total	**1,255,099**	**1,031,135**	**223,964**

The "Share premium reserve" was set up following the public offering at the time of the parent company's listing on the Milan stock exchange on 23 July 2001 which and subsequently reduced following the demerger transaction in favour of DeLclima S.p.A.. At 31 December 2021 it amounted to €34,300 thousand after the exercise of options assigned pursuant to the 2016-2022 Stock Option Plan. In 2022 the reserve was increased by €38,268 thousand following further exercise of stock options under the same plan of €3,968 thousand.

The "Legal Reserve" amounted to €45,168 thousand at 31 December 2021. The increase of €101 thousand is attributable to the allocation of profit for 2021 approved by shareholders during De' Longhi S.p.A.'s AGM held on 20 April 2022.

The Extraordinary Reserve decreased by €15,380 thousand explained by the payment of the dividend approved by shareholders of De' Longhi S.p.A. during the above mentioned AGM for €17,503 thousand, net the increase of €2,123 thousand stemming from the elimination of the options assigned under the "Stock Option Plan 2016-2022" which were not exercised by the deadline.

The "Fair value and cash flow hedge reserve" reports a positive balance of €497 thousand, net of €531 thousand in tax.

The change in the "Fair value and cash flow hedge" reserve in 2022, recognized in the statement of comprehensive income for the year, is attributable to the negative fair value of the cash flow hedge and available-for-sale securities of €3,893 thousand net of €525 thousand in tax.

The "Stock Option Reserve" at 31 December 2022 refers to the share-based incentive plan "Stock Option Plan 2020-2027" already described in note 28. Stock Option Plans.

The "Stock Option Reserve" amounted to positive €6,373 thousand which corresponds to the fair value of the options at the assignment date, recognized on a straight-line basis from the grant date through vesting. In the year €867 thousand, which represents the fair value measurement of the options net the cancellation of options due to a change in the number of beneficiaries, was allocated to the reserve.

The reserve for the "2016-2022 Stock Option Plan", which was positive for €2,982 thousand at 31 December 2022, was eliminated following the exercise of 163,908 options for a total of €860 thousand and the cancellation of the options which were not exercised by the plan's expiration date.

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

"Profit (loss) carried forward" includes the retained earnings of the consolidated companies and the effects of consolidation adjustments and adjustments to comply with Group accounting policies.

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

	Net equity 31.12.2022	Profit for 2022	Net equity 31.12.2021	Profit for 2021
De' Longhi S.p.A. financial statements	**588,531**	**100,808**	**605,379**	**107,099**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	649,687	59,442	583,331	224,690
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	465,679	5,308	436,660	(5,634)
Elimination of intercompany profits	(40,820)	14,286	(55,097)	(14,406)
Other adjustments	314	(1)	322	-
Consolidated financial statements	**1,663,391**	**179,843**	**1,570,595**	**311,749**
Minority	4,274	2,415	2,018	651
Consolidated financial statements-Group portion	**1,659,117**	**177,428**	**1,568,577**	**311,098**

31. Minorities' portion of net equity

The minorities' portion of net equity amounts to €4,274 thousand (including the result for the reporting period of €2,415 thousand) and refers to the minority interest (49%) in the company Eversys UK Ltd. and its subsidiary Eversys Ireland Ltd., which became part of the Group as a result of the Eversys acquisition.

32. Earnings per share

Earnings per share are calculated by dividing the earnings for the year by the weighted average number of the Company's shares outstanding during the period.

	31.12.2022
Weighted average number of shares outstanding	150,009,127
Weighted average number of diluted shares outstanding	152,809,965

The dilutive impact was not significant at 31 December 2022, therefore the difference between the diluted earnings per share (€1.16) and the basic earnings per share (€1.18) is not material.

Liabilities

33. Bank loans and borrowings

"Bank loans and borrowings" are analyzed as follows:

	Payable within one year	Payable in 1-5 years	Balance 31.12.2022	Payable within one year	Payable in 1-5 years	Balance 31.12.2021
Overdrafts	3,592	-	3,592	1,069	-	1,069
Current bank loans and borrowings	4	-	4	50,006	-	50,006
Long- term loans (short term portion)	87,914	-	87,914	170,616	-	170,616
Bank loans and borrowings (short-term portion)	**91,510**	**-**	**91,510**	**221,691**	**-**	**221,691**
Long- term loans	-	477,582	477,582	-	357,457	357,457
Total banks loans and borrowings	**91,510**	**477,582**	**569,092**	**221,691**	**357,457**	**579,148**

This item does not include amounts due beyond 5 years.

Despite its sound financial situation, as part of its strategy to extend the average life of its debt and create a liquidity buffer to be used to meet possible, temporary cash needs, in 2022 the Group decided to increase and diversify its financial resources by signing a few new loan agreements on 30 June 2022 (€100,000 thousand, duration of 5 years, €50,000 thousand, duration 5 years) and on 14 July 2022 (€50,000 thousand, duration 5 years) for total of €200 million.

On 30 June 2022 and 14 July 2022 the Group also negotiated a few RCFs for a total of €270 million.

The loans call for a pricing mechanism based on which the terms of the loan may be adjusted each year if certain ESG (Environmental-Social-Governance) targets are reached.

The ESG targets are part of the path already undertaken by the Group to include sustainability in its business strategy. The targets aim to combine growth with sustainable development and confirm the strong commitment to developing a model which fosters the increased integration of sustainability as strategic to creating value for all of its stakeholders.

With regard to the loans taken out, none of the financial covenants included in the loan agreements, based on net debt/equity and net debt/ EBITDA had been breached at 31 December 2022.

Most of the bank debt is floating rate; as a result of the hedge on one of the medium/long-term loans, the floating rate debt was swapped for fixed rate debt. The fair value of the loans, calculated by discounting future interest flows at current market rates, does not differ significantly from the amount of debt recognized in the financial statements.

The fair value of the loans, calculated by discounting expected future interest flows at current market rates, does not differ significantly from the amount of debt recognized in the financial statements.

34. Other financial payables

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

	31.12.2022	31.12.2021
Private placement (short-term portion)	21,409	21,400
Negative fair value of derivatives	12,206	7,311
Other short term financial payables	44,887	23,149
Total short-term payables	**78,502**	**51,860**
Private placement (one to five years)	85,709	85,661
Negative fair value of derivatives	-	-
Other financial payables (one to five years)	-	8,880
Total long-term payables (one to five years)	**85,709**	**94,541**
Private placement (beyond five years)	150,317	171,794
Total long-term payables (beyond five years)	**150,317**	**171,794**
Total other financial payables	**314,528**	**318,195**

The bond loan refers to the issue and placement of €150 million in unsecured, non-convertible notes with US institutional investors (the "US Private Placement") completed in 2017 and an additional €150 million placed in 2021. In both instances the securities were issued in a single tranche. The first issue matures in 10 years, in June 2027, and has an average life of 7 years. The notes will accrue interest from the subscription date at a fixed rate of 1.65% per annum. The notes will be repaid yearly in equal instalments beginning June 2021 and ending June 2027, without prejudice to the Company's ability to repay the entire amount in advance.

The second issue matures in 20 years, in April 2041, and has an average life of 15 years. The notes will accrue interest from the subscription date at a fixed rate of 1.18% per annum. The notes will be repaid yearly in equal instalments beginning April 2031 and ending April 2041, without prejudice to the Company's ability to repay the entire amount in advance.

Both issues are unrated and are not intended to be listed on any regulated markets.

The issues are subject to half-yearly financial covenants consistent with those applied to other loans. At 31 December 2022 the covenants had not been breached.

Neither issue is secured by collateral of any kind.

"Negative fair value of derivatives" refers to hedges on interest rates and currencies, foreign currency receivables and payables, as well as on future revenue streams (anticipatory hedges).

"Other short term financial payables" refers mainly to factoring without recours related payables. It also includes the remaining short-term portion of the pension fund liabilities pertaining to a foreign subsidiary and the payable to shareholders for the residual portion of dividends distributed but not yet paid.

The item also includes the fair value of the put & call options on the non-controlling interest of the Eversys Group's UK subsidiary.

Net financial position

Details of the net financial position are as follows:

	31.12.2022	31.12.2021
A. Cash	770,247	1,026,081
B. Cash equivalents	-	-
C. Other current financial assets	356,663	291,015
of which lease prepayments	*317*	*365*
D. Cash, cash equivalents and other current financial assets (A + B + C)	**1,126,910**	**1,317,096**
E. Current financial liabilities	(78,682)	(114,582)
of which lease liabilities	*(20,464)*	*(19,038)*
F. Current portion of non-current financial liabilities	(87,914)	(170,616)
G. Current financial liabilities (E + F)	**(166,596)**	**(285,198)**
H. Current net financial liabilities (D + G)	**960,314**	**1,031,898**
I.1. Other non-current financial assets	122,604	70,223
I. Non-current financial liabilities	(537,942)	(414,685)
of which lease liabilities	*(60,360)*	*(57,228)*
J. Debt instruments	(236,026)	(257,455)
K. Trade payables and other non-current liabilities	-	-
L. Non-current net financial liabilities (I + I.1+ J + K)	**(651,364)**	**(601,917)**
M. Total financial liabilities (H + L)	**308,950**	**429,981**
Fair value of derivatives and other financial non-bank assets/ liabilities	*(10,169)*	*(4,893)*
Total net financial position	**298,781**	**425,088**

Details of the net financial position are shown in accordance with CONSOB Bulletin DEM/6064293 of 28.07.2006; in order to provide a better representation, "Other non-current financial assets" are indicated separately in letter I.1; for further information, see note 18.

For a better understanding of changes in the Group's net financial position, reference should be made to the full consolidated statement of cash flows, appended to these explanatory notes, and the condensed statement presented in the report on operations.

More details on the fair value of derivatives can be found in note 43. Risk management.

Details of financial receivables and payables with related parties are reported in Appendix 3.

35. Employee benefits

These are made up as follows:

	31.12.2022	31.12.2021
Provision for severance indemnities	8,040	9,901
Defined benefit plans	17,768	27,103
Other long term benefits	12,724	16,374
Total	**38,532**	**53,378**

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

Some of the Group's foreign companies provide defined benefit plans for their employees.

Some of these plans have assets servicing them, but severance indemnities, as an unfunded obligation, do not.

These plans are valued on an actuarial basis to express the present value of the benefit payable at the end of service that employees have accrued at the reporting date.

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

Provision for severance indemnities:

Movements in the year are summarized below:

Net cost charged to income	2022	2021	Change
Current service cost	186	157	29
Interest cost on defined benefit obligation	86	47	39
Total	**272**	**204**	**68**

Change in present value of obligations	31.12.2022	31.12.2021	Change
Present value at 1 January	**9,901**	**9,761**	**140**
Current service cost	186	157	29
Utilization of provision	(1,032)	(664)	(368)
Interest cost on obligation	86	47	39
Actuarial gains & losses recognized in the comprehensive income statement	(1,101)	600	(1,701)
Present value at reporting date	**8,040**	**9,901**	**(1,861)**

Defined benefit plans:

Movements in the year are as follows:

Net cost charged to income	2022	2021	Change
Current service cost	1,389	1,057	332
Return on plan assets	-	(1)	1
Interest cost on obligation	256	162	94
Total	**1,645**	**1,218**	**427**

Change in present value of obligations	31.12.2022	31.12.2021	Change
Present value at 1 January	**27,103**	**28,125**	**(1,022)**
Net cost charged to income	1,645	1,218	427
Benefits paid	(1,140)	(197)	(943)
Translation differences	146	6	140
Actuarial gains & losses recognized in the comprehensive income statement	(9,986)	(3,657)	(6,329)
Changes in consolidation area	-	1,608	(1,608)
Present value at reporting date	**17,768**	**27,103**	**(9,335)**

The outstanding liability at 31 December 2022 of €17,768 thousand (€27,103 thousand at 31 December 2021) refers to a few subsidiaries (mainly in Germany, Japan and Swiss).

The assumptions used for determining the obligations under the plans described are as follows:

Assumptions used	Severance indemnity 2022	Severance indemnity 2021	Other plans 2022	Other plans 2021
Discount rate	3.70%	0.90%	0.5% - 3.7%	0.2% - 1.18%
Future salary increases	2.3%-3.3%	1.5% - 2.5%	0.0% - 3%	0.0% - 3%
Inflation rate	2.30%	1.50%	0.0% - 2.2%	0.0% - 1.8%

"Other long-term benefits" includes the amount accrued in the reporting period for the 2021-2023 incentive plan of €12,724 thousand. This plan was approved by the Board of Directors for a limited number of the Group's key resources.

It also includes the incentive plans for the personnel of the newly acquired companies.

For more information on remuneration policy and amounts please refer to the Annual Report on the Remuneration Policy and Compensation Paid.

36. Other provisions for non-current contingencies and charges

These are analyzed as follows:

	31.12.2022	31.12.2021
Agents' leaving indemnity provision	2,022	1,909
Product warranty provision	42,744	42,585
Provision for contingencies and other charges	27,401	21,549
Total	**72,167**	**66,043**

Movements are as follows:

	31.12.2021	Utilization	Net accrual	Translation difference and other movements	31.12.2022
Agents' leaving indemnity provision	1,909		113		2,022
Product warranty provision	42,585	(19,621)	19,780		42,744
Provision for contingencies and other charges	21,549	(1,994)	4,827	3,019	27,401
Total	**66,043**	**(21,615)**	**24,720**	**3,019**	**72,167**

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

The product warranty provision has been established for certain consolidated companies, on the basis of estimated under-warranty repair and replacement costs for sales taking place by 31 December 2022. It takes account of the provisions of Decree 24/2002 and of European Community law.

The "Provision for contingencies and other charges" includes the provision of €15,730 thousand (€15,053 thousand at 31 December 2021) for legal disputes and product complaint liabilities (limited to the Group's insurance deductible), the provision of €11,761 thousand (€6,497 thousand at 31 December 2021) for the provisions made by a few subsidiaries relating to commercial risks and other charges.

On 23 February 2023 the French Competition Authority (the "FCA") notified a few Group companies of a complaint filed by a French company (and other French sector companies, mentioned in the complaint) which refers to certain acts that occurred between 2009 and 2014 which were allegedly in violation of rules governing anti-competitive conduct.

More specifically, the complaint alleges that the Group entered into horizontal agreements which consisted in the exchange between competitors of privileged information relating to small appliances in France in the period referred to above.

The French Competition Authority concluded that the practice of exchanging information, to the extent that it restricted market competition, constitutes an anticompetitive agreement prohibited by the Art. 420-1 of the French Commercial Code and Art. 101, paragraph 1, TFUE.

The complaint is currently being analyzed carefully by the Group which is preparing its defense with the support of premiere legal counsel and sector consultants. It is not yet possible to assess the possibility or the size of any sanctions. The Group believes that there are sound arguments to be made in its defense.

37. Trade payables

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

38. Current tax liabilities

"Current tax liabilities" refers to the Group's direct tax and, with respect to the Italian subsidiaries who adhered to the Domestic Tax Consolidation regime, the net amount owed the parent company De Longhi Industrial S.A..

The Parent Company De' Longhi S.p.A. and a few of the Italian subsidiaries renewed, jointly with the consolidator De Longhi Industrial S.A., the option to adhere to group taxation, referred to as "Domestic Tax Consolidation", as permitted under articles 117-129 of the Consolidated Income Tax Act (TUIR) as per Presidential Decree n. 917 of 22 December 1986 and Decree of the Ministry and Finance of 1 March 2018, for the three-year period 2022 - 2024.

For additional information please refer to Appendix.3.

39. Other payables

These are analyzed as follows:

	31.12.2022	31.12.2021
Employees	52,704	69,134
Indirect taxes	27,638	29,562
Advances	6,519	7,517
Social security institutions	8,860	9,965
Withholdings payables	7,172	9,380
Other taxes	1,164	1,636
Other	10,910	12,883
Total	**114,967**	**140,077**

The item does not include amounts due beyond 12 months.

40. Commitments

These are detailed as follows:

	31.12.2022	31.12.2021
Guarantees given to third parties	773	806
Other commitments	11,191	3,590
Total	**11,964**	**4,396**

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

In addition to the above, the Group issued guarantees, for a total amount of €17.6 million, in favor of the affiliate NPE S.r.l. commensurated with the commitments of each of the parties.

These guarantees were partially revoked in 2023 as a result of the new agreement signed with the majority shareholders.

41. IFRS 7 classification of financial assets and liabilities

Financial assets and liabilities are classified below in accordance with IFRS 7 using the categories identified in IFRS 9.

at 31 December 2022	Total Value	Assets		
		Amortized cost	Fair value in Profit&Loss	Fair value in OCI
Non-current assets (*)				
Equity investments	51	-	51	-
Receivables	5,609	5,609	-	-
Other non-current financial assets	124,624	122,604	-	2,020
Current assets (**)				
Trade receivables	278,811	278,811	-	-
Current tax assets	15,512	15,512	-	-
Other receivables	29,884	29,884	-	-
Current financial receivables and assets	368,037	268,680	90,870	8,487
Cash and cash equivalents	770,247	770,247	-	

at 31 December 2022	Total Value	Liabilities		
		Amortized cost	Fair value in Profit&Loss	Fair value in OCI
Non-current liabilities (***)				
Bank loans and borrowings (long-term portion)	477,582	477,582	-	-
Other financial payables (long-term portion)	236,026	236,026	-	-
Current liabilities (****)				
Trade payables	540,687	540,687	-	-
Bank loans and borrowings (short-term portion)	91,510	91,510	-	-
Other financial payables (short-term portion)	66,902	54,696	6,533	5,673
Current tax liabilities	76,264	76,264	-	-
Other payables	114,967	114,967	-	-

(*) Interests in subsidiaries. associates and joint ventures are not included (*IFRS 9 - 2.1 a*).

(**) Advances for leasing contracts are nor included (*IFRS 9 - 2.1 b*).

(***) Lease liabilities under IFRS 16 (*IFRS 9.-2.1b*) and Forward contracts that will result in an acquisition to be considered as a business combination within the scope of IFRS 3 Business combination are not included (*IFRS 9 - 2.1 f*).

(****) Lease liabilities to which IFRS 16 Leases is applied (*IFRS 9 - 2.1 b*) are not included.

at 31 December 2021	Total Value	Assets		
		Amortized cost	Fair value in Profit&Loss	Fair value in OCI
Non-current assets (*)				
Equity investments	51	-	51	-
Receivables	4,605	4,605	-	-
Other non-current financial assets	70,539	70,223	-	316
Current assets (**)				
Trade receivables	366,668	366,668	-	-
Current tax assets	9,492	9,492	-	-
Other receivables	43,148	43,148	-	-
Current financial receivables and assets	301,712	200,122	94,665	6,925
Cash and cash equivalents	1,026,081	1,026,081	-	-

at 31 December 2021	Total Value	Liabilities		
		Amortized cost	Fair value in Profit&Loss	Fair value in OCI
Non-current liabilities (***)				
Bank loans and borrowings (long-term portion)	357,457	357,457	-	-
Other financial payables (long-term portion)	257,535	257,535	-	
Current liabilities (****)				
Trade payables	936,229	936,229	-	-
Bank loans and borrowings (short-term portion)	221,691	221,691	-	-
Other financial payables (short-term portion)	51,860	44,549	5,995	1,316
Current tax liabilities	120,900	120,900	-	-
Other payables	140,077	140,077	-	-

(*) Interests in subsidiaries. associates and joint ventures are not included (*IFRS 9 - 2.1 a*).

(**) Advances for leasing contracts are nor included (*IFRS 9 - 2.1 b*).

(***) Lease liabilities under IFRS 16 (*IFRS 9.-2.1b*) and Forward contracts that will result in an acquisition to be considered as a business combination within the scope of IFRS 3 *Business combination* are not included (*IFRS 9 - 2.1 f*).

(****) Lease liabilities to which IFRS 16 Leases is applied (*IFRS 9 - 2.1 b*) are not included.

42. Hierarchical levels of financial instruments measured at fair value

The following table presents the hierarchical levels in which the fair value measurements of financial instruments have been classified at 31 December 2022. As required by IFRS 13, the hierarchy comprises the following levels:

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

Financial instruments measured at fair value	Level 1	Level 2	Level 3
Derivatives with positive fair value	-	13,712	-
Derivatives with negative fair value	-	(12,206)	-
Other financial assets	51	87,665	-

There were no transfers between the levels during the year.

43. Risk management

The Group is exposed to the following financial risks as part of its normal business activity:

- credit risk, arising from commercial activities and from the investment of surplus cash;
- liquidity risk, arising from the need to have adequate access to capital markets and sources of finance to fund its operations, investment activities and the settlement of financial liabilities;
- exchange rate risk, associated with the significant amount of purchases and sales in currencies other than the Group's functional currency;
- interest rate risk, relating to the cost of the Group's debt.

Credit risk

Credit risk consists of the Group's exposure to potential losses arising from failure by a counterparty to fulfill its obligations.

Trade credit risk is associated with the normal conduct of trade and is monitored using formal procedures for selecting and assessing customers, for defining credit limits, for monitoring expected receipts and for their recovery if necessary.

Credit risk is mitigated by insurance policies with major insurers, with the aim of insuring against the risk of default by punctually performing a selection of a portfolio of customers together with the insurer, who then undertakes to pay an indemnity in the event of default.

Although there is a certain concentration of risk associated with the size of some of the principal buying groups, this is counterbalanced by the fact that the exposure is spread across counterparties operating in different geographical areas.

Positions are written down when there is objective evidence that they will be partially or entirely uncollected; such writedowns are based on past data and information about the counterparty's solvency, taking account of insurance and any other guarantees as described above.

The Group's maximum exposure to credit risk is equal to the book value of trade receivables before the allowance for doubtful accounts, and amounts to €289,403 thousand at 31 December 2022 and €381,933 thousand at 31 December 2021.

This amount corresponds to the gross balance of trade receivables of €351,540 thousand at 31 December 2022 (€448,864 thousand at 31 December 2021), net of deductions and accounting offsets, which reduce the overall credit risk, mainly in the form of credit notes and other documents not yet issued to customers.

The following analysis of credit risk, carried out on the basis of receivables ageing and the reports used for credit management, refers to the trade balances before these deductions because the documents still to be issued cannot be specifically allocated to the ageing categories.

Trade receivables of €351,540 thousand at 31 December 2022 comprise €316,286 thousand in current balances and €35,254 thousand in past due amounts, of which €31,757 thousand past due within 90 days and €3,497 thousand past due by more than 90 days.

The amount of insured or guaranteed receivables at 31 December 2022 is €280,439 thousand.

The Group has recognized €10,591 thousand in allowances for doubtful accounts against unguaranteed receivables of €71,101 thousand.

Trade receivables of €448,864 thousand at 31 December 2021 comprise €412,119 thousand in current balances and €36,745 thousand in past due amounts, of which €35,701 thousand past due within 90 days and €1,044 thousand past due by more than 90 days.

The amount of insured or guaranteed receivables at 31 December 2021 is €363,522 thousand.

The Group has recognized €15,265 thousand in allowances for doubtful accounts against unguaranteed receivables of €85,341 thousand.

As far as financial risk is concerned, it is the Group's policy to maintain a sufficiently large portfolio of counterparties of high international repute for the purposes of temporary investment of surplus resources or for the negotiation of derivatives.

The maximum credit risk in the event of counterparty default relating to the Group's other financial assets, whose classification is presented in note *41. IFRS 7 classification of financial assets and liabilities*, is equal to the book value of these assets.

Liquidity risk

Liquidity risk is the risk of not having the fund needed to fulfil payment obligations arising from operating and investment activities and from the maturity of financial instruments.

The Group uses specific policies and procedures for the purposes of monitoring and managing this risk, including:

- centralized management of financial payables and cash, supported by reporting and information systems and, where possible, cash pooling arrangements;
- raising of medium and long-term finance on capital markets;
- diversification of the type of financing instruments used;
- obtaining of short-term credit lines so as to ensure wide room for manoeuvre for the purposes of managing working capital and cash flows;
- monitoring of current and forecast financing needs and distribution within the Group.

The Group has both medium-term bank credit lines (related to the loans disclosed in this Financial Statements) and short-term credit lines (typically renewed on an annual basis), for financing working capital and other operating needs (issue of guarantees, currency transactions etc.).

These credit lines, along with cash flow generated by operations, are considered sufficient to satisfy the Group's annual funding requirements for working capital, investments and settlement of payables on their natural due dates.

Note 41. IFRS 7 classification of financial assets and liabilities presents the book value of financial assets and liabilities, in accordance with the categories identified by IFRS 9.

The following table summarizes the due dates of the Group's financial liabilities at 31 December 2022 and 31 December 2021 on the basis of contractual payments which have not been discounted.

	Undiscounted cash flows at 31.12.2022	Payable within one year	Payable in 1-5 years	Payable in more than five years	Undiscounted cash flows at 31.12.2021	Payable within one year	Payable in 1-5 years	Payable in more than five years
Bank loans and borrowings (*)	611,898	104,922	506,976	-	580,461	222,244	358,217	-
Other financial payables (**)	342,061	81,393	95,623	165,045	340,734	55,196	97,117	188,421
Trade payables	540,513	540,513	-	-	936,229	936,229	-	-
Current tax payables and other payables	191,131	190,953	178	-	260,977	260,718	259	-

(*) The corresponding balance reported in the financial statements was €569,091 thousand at 31 December 2022 vs. €579,148 thousand at 31 December 2021 and refers to medium/long and short term bank debt.

(**) The corresponding balance in the accounts is €314,528 thousand at 31 December 2022 and €309,395 at 31 December 2021 and refers to long-term payables comprehensive of their short-term portion of the private placement.

With regard to lease liabilities in accordance with IFRS 16, please refer to Note 15. Leases.

Exchange rate risk

In carrying on its business, the Group is exposed to the risk of fluctuations in currencies (other than its functional one) in which ordinary trade and financial transactions are denominated. For the purposes of protecting its income statement and statement of financial position from such fluctuations, the Group adopts a suitable hedging policy that eschews speculative ends.

Hedging policies

Hedging is carried out centrally by a special team on the basis of information obtained from a detailed reporting system, using instruments and policies that comply with international accounting standards. The purpose of hedging is to protect - at individual company level - the future revenues/costs contained in budgets and/or long-term plans, trade and financial receivables/payables and net investments in foreign operations.

Purpose of hedging

Hedging is carried out with three goals:

a. to hedge cash flows of budgeted or planned amounts up until the time of invoicing, with a time horizon that doesn't go beyond 24 months;
b. to hedge the monetary amounts of receivables and payables originating from invoicing and financing transactions;
c. to hedge exchange rate risk relating to net investments in foreign operations.

The principal currencies to which the Group is exposed are:

- the US dollar (mainly the EUR/USD and GBP/USD), being the currency in which a significant part of the cost of raw materials, parts and finished products is expressed;
- the Japanese yen (JPY/HKD), for sales on the Japanese market;
- the Australian dollar (AUD/HKD) for sales on the Australian market;
- the Czech koruna and the Polish Zloty, for sales on the East Europe market;
- the British Pound (EUR/GBP), for sales on the UK market;
- the Renminbi (CNY/HKD) for the cost of raw materials, parts and finished products.

Instruments used

Highly liquid instruments of a non-speculative nature are used, mostly forward purchase/sale agreements.

The transactions are entered into with primary, well known counterparties of international standing and using methods which allow for best practice execution for each transaction.

Operating structure

Hedging activity is centralized (except for isolated, negligible cases) under De' Longhi Capital Services S.r.l., a Group company, which intervenes on the markets on the basis of information received from the individual operating companies. The terms and conditions thus negotiated are passed down in full to Group companies so that De' Longhi Capital Services S.r.l. does not directly carry derivatives for risks that are not its own.

Sensitivity analysis

When assessing the potential impact, in terms of change in fair value, of a hypothetical, sudden +/-5% change in year-end exchange rates, it is necessary to distinguish between the risk associated with expected future revenues/costs and the risk associated with foreign currency assets and liabilities at 31 December 2022:

a. with regard to the risk connected to future flows (revenues/costs forecast in the budget and/or multi-year plans), at 31 December 2022 the fair value of the relative hedges were recognized in net equity in accordance with IAS standards as described in the section *Accounting standards - Financial instruments* found in these Explanatory Notes; a change of +/- 5% in the year-end exchange rates of the exposed currency is estimated to produce a change of +/ - €3.2 million before tax (+/- €1.2 million before tax at 31 December 2021). This figure would impact the income statement solely in the year in which the hedged revenues/costs materialize;
b. as for the risk associated with foreign currency assets and liabilities. the analysis considers only unhedged receivables/payables in currencies other than the functional currency of the individual companies. since the impact of any hedges is assumed to be equal and opposite to that of the hedged items. A +/- 5% change in year-end exchange rates of the principal exposed currencies (mainly the USD and the Renminbi) against the principal functional currencies would produce a change in fair value of around +/- €1.9 million before tax (+/- €2.2 million before tax at 31 December 2021).

The hedging transactions at 31 December 2022 are described in the paragraph *"Interest rate and currency exchange hedges at 31 December 2022"*.

Interest rate risk

The Group is exposed to interest rate risk on floating rate loans and borrowings. This risk is managed centrally by the same team that manages currency risks.

The bonds and a part of the loan taken out in 2019, which is hedged with an Interest Rate Swap, are fixed rate, while the remainder of the Group's financial debt at 31 December 2022 was floating rate.

The purpose of interest rate risk management is to fix in advance the maximum cost (in terms of the interbank rate, which represents the benchmark for these borrowings) for a part of the financial debt.

Sensitivity analysis

When estimating the potential impact of a hypothetical, sudden material change in interest rates (+/- 1% in market rates) on the cost of the Group's debt, only those items forming part of net financial position which earn/incur interest at floating rates have been considered and not any others (meaning total net assets of €88.8 million on a total of €298.8 million in net debt at 31 December 2022 and total net assets of €636.9 million on a total of €425.2 million in net debt in 2021).

It is estimated that a +/- 1% change in interest rates would have an impact of +/- €0.9 million before tax at 31 December 2022 recognized entirely in the income statement (+/- €6.4 million before tax at 31 December 2021).

Interest rate and currency exchange hedges at 31 December 2022

At 31 December 2022 the Group has a number of derivatives, hedging both the fair value of underlying instruments and exposure to changes in cash flow.

For accounting purposes, derivatives that hedge expected future cash flow are treated in accordance with hedge accounting as called for in IFRS 9.

Derivatives that hedge foreign currency payables and receivables are reported with changes in their fair value reported in the income statement. These instruments offset the risk on the hedged item (which is a recognized asset or liability).

The fair value of the outstanding derivatives at 31 December 2022 is provided below:

	Fair Value at 31/12/2022
FX forward agreements	(3,328)
Derivatives hedging foreign currency receivables/payables	**(3,328)**
FX forward agreements	938
IRS hedging Parent Company's loans	3,896
Derivatives covering expected cash flows	**4,834**
Total fair value of the derivatives	**1,506**

Forward agreements to hedge against a change in 2022 trade flows:

A list of the forward agreements hedging a change in 2022 trade flows at 31 December 2022:

Currency	Notional amount (in thousands)			Fair value (in €/000)	
	Purchases	Sales	Total	Current assets	Current Liabilities
EUR/CHF*	-	29,700	29,700	85	(520)
EUR*/RON	-	63,000	63,000	2,838	(12)
EUR/USD*	(3,911)	-	(3,911)	-	(125)
EUR/CZK*	-	160,000	160,000	-	(172)
EUR/PLN*	-	183,000	183,000	65	(865)
EUR/GBP*	-	20,000	20,000	387	-
USD/CAD*	-	30,000	30,000	565	(9)
HKD/CNY*	(1,085,000)	-	(1,085,000)	2,150	(2,261)
AUD*/HKD	-	42,000	42,000	521	(327)
HKD/JPY*	-	4,370,000	4,370,000	-	(1,033)
HKD/KRW*	-	13,000,000	13,000,000	-	(285)
USD/ZAR*	-	60,000	60,000	-	(64)
				6,611	**(5,673)**

* Risk currency.

The cash flow hedge reserve recognized for these hedges was negative for €2,180 thousand at 31 December 2022, after tax of €314 thousand (at 31 December 2021 this same reserve was positive for €3,772 thousand, after tax of €1,026 thousand).

During 2022 the Group reversed to the income statement a net amount of €3,722 thousand from the positive cash flow hedge reserve at 31 December 2021.

This amount was reported in the following lines of the income statement:

	2022	2021
Increase (reduction) in revenues	187	(2,003)
(Increase) reduction in materials consumed	4,723	(1,464)
Net financial income (expenses)	(112)	-
Taxes	(1,026)	930
Total recognized in income statement	**3,772**	**(2,537)**

Hedges against foreign currency receivables and payables:

Currency	Notional amount (in thousands)			Fair value (in €/000)	
	Purchases	Sales	Total	Current assets	Current Liabilities
AUD*/HKD	(35,962)	40,723	4,761	260	(329)
AUD/NZD*	(8,030)	16,030	8,000	115	(24)
EUR*/CHF	-	3,488	3,488	5	-
EUR/AUD*	(700)	2,137	1,437	19	-
EUR/CHF*	(3,080)	32,422	29,342	117	(693)
EUR/CZK*	(64,059)	130,090	66,031	21	(45)
EUR/GBP*	(30,230)	4,974	(25,256)	129	(661)
EUR*/GBP	-	2,660	2,660	-	(69)
EUR/HKD*	-	11,000	11,000	2	-
EUR*/HKD	(4,212)	6,436	2,224	35	(59)
EUR/UFF*	(986,200)	2,028,460	1,042,260	33	(129)
EUR/JPY*	(7,600)	22,500	14,900	1	(3)
EUR/PLN*	(192,900)	202,626	9,726	225	(233)
EUR/RON*	-	183,120	183,120	65	-
EUR*/RON	(29,420)	10,220	(19,200)	49	(41)
EUR/RUB*	(1,500,000)	-	(1,500,000)	-	(288)
EUR/SEK*	(24,500)	57,520	33,020	60	(12)
EUR/USD*	(439,726)	101,285	(338,441)	73	(1,640)
EUR*/USD	(280,000)	-	(280,000)	1,207	-
GBP/USD*	(3,240)	4,700	1,460	41	(33)
HKD/CLP*	-	4,364,000	4,364,000	-	(66)
HKD/CNH*	(491,680)	110,235	(381,445)	602	(145)
HKD/JPY*	(800,000)	3,335,990	2,535,990	51	(871)
HKD/KRW*	(278,900)	6,227,140	5,948,240	5	(171)
HKD/MXN*	-	43,225	43,225	-	(25)
USD/MXN*	-	195,600	195,600	2	(149)
SGD*/HKD	(6,800)	430	(6,370)	46	(3)
USD/CAD*	(12,150)	43,691	31,541	15	(289)
USD*/CHF	-	1,648	1,648	14	-
USD*/RON	(49,060)	-	(49,060)	-	(471)
USD/ZAR*	(10,450)	65,760	55,310	13	(84)
				3,205	**(6,533)**

* Risk currency.

IRS (Interest Rate Swap) hedging interest rate risk on loans:

The fair value of the derivatives is calculated using the discounted cash flow method based on the swap curve, not including the spread; at 31 December 2022 the fair value of the derivatives, which also takes into account counterparty risk in accordance with IFRS 13 - *Fair Value measurement*, came to a positive €3,896 thousand which is recognized under other financial receivables.

As the hedge on future interest flows qualifies as an effective hedge, at 31 December 2022 a positive cash flow hedge reserve of €3,523 thousand was reported in net equity, net of the related tax effect of €845 thousand.

Details are as follows (the figures are shown before tax):

	31/12/2022	
	Notional amount (in €/000)	**Fair value (in €/000)**
Interest Rate Swap (IRS) connected to the loan	67,000	3,896
Total fair value of the derivatives		**3,896**
of which:		
positive medium/long-term fair value		*2,020*
positive short-term fair value		*1,876*

44. Tax position

The following positions emerged during the periodic audits carried out by the tax authorities.

De' Longhi Appliances S.r.l.

On 15 December 2022 a target audit was carried out by the Veneto Regional Office of the Revenue Service relating to intercompany transactions, the accounting and tax treatment of dividends received for the tax years 2017 to 2021 and the tax credit matured for investments made in research and development pursuant to Law 190/2014, relative to the tax years 2015 to 2019.

To date the Company has yet to be notified of any findings.

No positions of note were opened at the date of this report.

45. Transactions and balances with related parties

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

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

46. Operating segments

As required under IFRS 8, following the demerger transaction the Group's activities were broken down into three operating segments (Europe, APA, MEIA) based on business region.

Each segment is responsible for all aspects of the Group's brands and services different markets; the revenues and the margins, therefore, generated by each operating segment (based on business region) may not coincide with the revenues and margins of the relative markets (based on geographic area) given the sales made by a few Group companies outside of their respective geographical areas and the intragroup transactions not allocated based on destination.

Information relating to operating segments is presented below:

Income Statement data

	2022				
	Europe	Americas/ APA	MEIA	Intersegment eliminations (**)	Total
Total revenues (*)	**2,206,388**	**1,512,722**	**181,317**	**(741,994)**	**3,158,433**
EBITDA	**236,931**	**119,979**	**16,089**	**(3,623)**	**369,376**
Amortization	(72,408)	(33,157)	(273)	-	(105,838)
EBIT	**164,523**	**86,822**	**15,816**	**(3,623)**	**263,538**
Net financial income (expenses)					(25,341)
Profit (loss) before taxes					**238,197**
Taxes					(58,354)
Profit (loss) for the year					**179,843**
Profit (loss) pertaining to minority					2,415
Profit (loss) pertaining to Group					**177,428**

(*) The revenues for each segment include revenues generated by both third parties and other Group operating segments.

(**) Eliminations refer to intersegment revenues generated and eliminated on a consolidated basis.

Data from statement of financial position

	31 December 2022				
	Europe	Americas/ APA	MEIA	Intersegment eliminations	Total
Total assets	3,017,178	1,451,094	101,113	(1,015,679)	3,553,706
Total liabilities	(2,080,068)	(787,491)	(38,433)	1,015,677	(1,890,315)

Income Statement data

	2021				
	Europe	Americas/ APA	MEIA	Intersegment eliminations (**)	Total
Total revenues (*)	**2,350,469**	**1,738,602**	**149,077**	**(1,016,561)**	**3,221,587**
EBITDA	**311,657**	**157,321**	**10,442**	**1,189**	**480,609**
Amortization	(64,114)	(29,268)	(297)	-	(93,679)
EBIT	**247,543**	**128,053**	**10,145**	**1,189**	**386,930**
Net financial income (expenses)					13,321
Profit (loss) before taxes					**400,251**
Taxes					(88,502)
Profit (loss) for the year					**311,749**
Profit (loss) pertaining to minority					651
Profit (loss) pertaining to Group					**311,098**

(*) The revenues for each segment include revenues generated by both third parties and other Group operating segments; the figure is net of other non-recurring items.

(**) Eliminations refer to intersegment revenues generated and eliminated on a consolidated basis.

Data from statement of financial position

	31 December 2021				
	Europe	Americas/ APA	MEIA	Intersegment eliminations	Total
Total assets	2,908,290	1,598,327	76,324	(652,040)	3,930,901
Total liabilities	(1,967,042)	(1,013,106)	(32,198)	652,040	(2,360,306)

47. Subsequent events

Subsequent to 31 December 2022 through the approval date of this report, no significant events occurred which would have impacted the financial and economic results shown pursuant to IAS 10 Events after the reporting period.

Treviso 13 March 2023

De' Longhi S.p.A.
Vice President and Chief Executive Officer

Fabio de' Longhi

Group annual report and financial statements

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Appendices

Appendices

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

This information is contained in the following appendices:

1. List of consolidated companies
2. Statement of consolidated cash flows in terms of net financial position
3. Transactions and balances with related parties:
    a. *Income statement and statement of financial position*
    b. *Summary by company*
4. Fees paid to the external auditors
5. Certification of the consolidated financial statements pursuant to art. 81-ter of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions.

List of consolidated companies
(Appendix 1 to the Explanatory notes)

Company name	Registered office	Currency	Share capital (1)	Interest held at 31/12/2022	
				Directly	Indirectly
Line-by-line method					
DE'LONGHI APPLIANCES S.R.L.	Treviso	EUR	200,000,000	100%	
DE'LONGHI AMERICA INC.	Upper Saddle River	USD	600,000		100%
DE'LONGHI FRANCE SAS	Clichy	EUR	2,737,500		100%
DE'LONGHI CANADA INC.	Brampton	CAD	1		100%
DE'LONGHI DEUTSCHLAND GMBH	Neu-Isenburg	EUR	2,100,000	100%	
DE'LONGHI BRAUN HOUSEHOLD GMBH	Neu-Isenburg	EUR	100,000		100%
DE'LONGHI ELECTRODOMESTICOS ESPANA S.L.	Barcellona	EUR	3,066		100%
DE'LONGHI CAPITAL SERVICES S.R.L. (2)	Treviso	EUR	53,000,000	11%	89%
E- SERVICES S.R.L.	Treviso	EUR	50,000	100%	
DE'LONGHI KENWOOD A.P.A. LTD	Hong Kong	HKD	73,010,000		100%
TRICOM INDUSTRIAL COMPANY LIMITED	Hong Kong	HKD	171,500,000		100%
PROMISED SUCCESS LIMITED	Hong Kong	HKD	28,000,000		100%
ON SHIU (ZHONGSHAN) ELECTRICAL APPLIANCE CO.LTD.	Zhongshan City	CNY	USD 21,200,000		100%
DE'LONGHI-KENWOOD APPLIANCES (DONG GUAN) CO.LTD.	Qing Xi Town	CNY	HKD 285,000,000		100%
DE LONGHI BENELUX S.A.	Luxembourg	EUR	181,730,990	100%	
DE'LONGHI JAPAN CORPORATION	Tokyo	JPY	450,000,000		100%
DE'LONGHI AUSTRALIA PTY LTD.	Prestons	AUD	28,800,001		100%
DE'LONGHI NEW ZEALAND LTD.	Auckland	NZD	16,007,143		100%
ZASS ALABUGA LLC	Elabuga	RUB	95,242,767		100%
DE'LONGHI LLC	Mosca	RUB	3,944,820,000		100%
KENWOOD APPLIANCES LTD.	Havant	GBP	30,586,001		100%
KENWOOD LIMITED	Havant	GBP	26,550,000		100%
KENWOOD INTERNATIONAL LTD.	Havant	GBP	20,000,000		100%
KENWOOD APPL. (SINGAPORE) PTE LTD.	Singapore	SGD	500,000		100%
KENWOOD APPL. (MALAYSIA) SDN.BHD.	Subang Jaya	MYR	1,000,000		100%
DE'LONGHI-KENWOOD GMBH	Wr Neudorf	EUR	36,336	100%	
DELONGHI SOUTH AFRICA PTY.LTD.	Constantia Kloof	ZAR	100,332,501		100%
DE'LONGHI KENWOOD HELLAS SINGLE MEMBER S.A.	Atene	EUR	452,520		100%
DE'LONGHI PORTUGAL UNIPESSOAL LDA	Matosinhos	EUR	5,000		100%

Company name	Registered office	Currency	Share capital (1)	Interest held at 31/12/2022	
				Directly	Indirectly
ARIETE DEUTSCHLAND GMBH	Dusseldorf	EUR	25,000		100%
CLIM.RE. S.A.	Luxembourg	EUR	1,239,468	4%	96%
ELLE S.R.L.	Treviso	EUR	10,000		100%
TASFIYE HALINDE DE'LONGHI BOSPHORUS EV ALETLERI TICARET ANONIM SIRKETI	Istanbul	TRY	3,500,000		100%
DE'LONGHI PRAGA S.R.O.	Praga	CZK	200,000		100%
DE'LONGHI SWITZERLAND AG	Baar	CHF	1,000,000		100%
DL HRVATSKA D.O.O.	Zagabria	HRK	20,000		100%
DE'LONGHI BRASIL - COMÉRCIO E IMPORTAÇÃO Ltda	São Paulo	BRL	43,857,581		100%
DE'LONGHI POLSKA SP. Z.O.O.	Varsavia	PLN	50,000	0.1%	99,9%
DE'LONGHI APPLIANCES TECHNOLOGY SERVICES (Shenzen) Co. Ltd	Shenzen	CNY	USD 175,000		100%
DE'LONGHI UKRAINE LLC	Kiev	UAH	549,843		100%
DE'LONGHI KENWOOD MEIA F.ZE	Dubai	USD	AED 2,000,000		100%
DE'LONGHI ROMANIA S.R.L.	Cluj-Napoca	RON	140,000,000	10%	90%
DE'LONGHI KOREA LTD	Seoul	KRW	900,000,000		100%
DL CHILE S.A.	Santiago del Cile	CLP	3,079,065,844		100%
DE'LONGHI SCANDINAVIA AB	Stockholm	SEK	5,000,000		100%
DELONGHI MEXICO SA DE CV	Bosques de las Lomas	MXN	53,076,000		100%
DE'LONGHI APPLIANCES (SHANGHAI) CO. LTD	Shanghai	CNY	USD 12,745,000		100%
DE' LONGHI MAGYARORSZÁG KFT.	Budapest	HUF	34,615,000		100%
DE' LONGHI US HOLDING LLC	Wilmington	USD	50,100,000		100%

The list of the companies belonging to the Capital Brands Group acquired on 29 December 2020 is provided below; all of the companies are indirectly controlled 100% by De' Longhi S.p.a.:

Company name	Registered office	Currency
CAPITAL BRANDS HOLDINGS, INC.	Wilmington	USD
CAPITAL BAY, LIMITED (3)	Hong Kong	USD
CAPBRAN HOLDINGS, LLC	Los Angeles	USD
CAPITAL BRANDS, LLC	Los Angeles	USD
CAPITAL BRANDS DISTRIBUTION, LLC	Los Angeles	USD
BULLET BRANDS, LLC	Los Angeles	USD
HOMELAND HOUSEWARES, LLC	Los Angeles	USD
BABY BULLET, LLC	Los Angeles	USD
NUTRIBULLET, LLC	Los Angeles	USD
NUTRILIVING, LLC	Los Angeles	USD

The companies comprising the Eversys Group, the control of which was acquired on 3 May 2021, are listed below; the companies are controlled indirectly 100% by De' Longhi S.p.a., with the exception of Eversys UK Limted and Eversys Ireland Limited, of which De' Longhi S.p.a. indirectly holds a stake of 51%:

Company name	Registered office	Currency
EVERSYS S.A.	Sierre	CHF
EVERSYS INC	Toronto	USD
EVERSYS INC DELAWARE	Wilmington	USD
EVERSYS UK LIMITED	Wallington	GBP
EVERSYS IRELAND LIMITED	Dublin	EUR
EVERSYS DIGITRONICS AG	Münsingen	CHF

Investments valued in accordance with the equity method

Company name	Registered office	Currency	Share capital (1)	Interest held at 31/12/2022	
				Directly	Indirectly
DL-TCL HOLDINGS (HK) LTD.	Hong Kong	HKD	USD 5,000,000		50%
TCL-DE'LONGHI HOME APPLIANCES (ZHONGSHAN) CO.LTD.	Zhongshan City	CNY	USD 5,000,000		50%
NPE S.R.L.	Treviso	EUR	1,000,000		45%
H&T-NPE EAST EUROPE S.R.L.	Madaras	RON	14,707,600		45%

(1) Figures at 31 December 2022, unless otherwise specified.

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

(3) Dormant.

Statement of consolidated cash flows in terms of net financial position

(Appendix 2 to the Explanatory notes)

(€/000)	2022	2021
Profit (loss) pertaining to the Group	177,428	311,098
Income taxes for the period	58,354	88,502
Amortization	105,838	93,679
Net change in provisions and other non-cash items	(1,661)	3,576
Cash flow generated by current operations (A)	**339,959**	**496,855**
Change in assets and liabilities for the period:		
Trade receivables	103,352	47,954
Inventories	230,225	(312,921)
Trade payables	(417,726)	320,996
Other changes in net working capital	203	13,911
Payment of income taxes	(104,086)	(64,187)
Cash flow generated (absorbed) by movements in working capital (B)	**(188,032)**	**5,753**
Cash flow generated by current operations and movements in working capital (A+B)	**151,927**	**502,608**
Investment activities:		
Investments in intangible assets	(15,282)	(16,723)
Other cash flows for intangible assets	-	978
Investments in property, plant and equipment	(113,638)	(88,373)
Other cash flows for property, plant and equipment	522	964
Investments in leased assets	(28,139)	(30,018)
Other cash flows for leased assets	1,225	891
Net investments in financial assets and in minority interest	(890)	(54)
Cash flow absorbed by ordinary investment activities (C)	**(156,202)**	**(132,335)**
Cash flow by operating activities (A+B+C)	**(4,275)**	**370,273**
Acquisitions (D)	**-**	**(129,438)**
Fair value and cash flow reserves	(3,893)	9,605
Change in currency translation reserve	592	19,720
Exercise of stock option	3,355	7,110
Dividends paid	(124,501)	(80,821)
Increase of minority interest	2,415	651
Cash flows absorbed by changes net equity (E)	**(122,032)**	**(43,735)**
Cash flow for the period (A+B+C+D+E)	**(126,307)**	**197,100**
Opening net financial position	**425,088**	**227,988**
Cash flow for the period (A+B+C+D+E)	(126,307)	197,100
Consolidated closing net financial position	**298,781**	**425,088**

Transactions and balances with related parties

(Appendix 3 to the Explanatory notes)

(€/000)	2022	of which with related parties	2021	of which with related parties
Revenue from contracts with customers	3,126,940	1,445	3,196,253	2,125
Other revenues	31,493	2,269	25,334	2,314
Total consolidated revenues	**3,158,433**		**3,221,587**	
Raw and ancillary materials, consumables and goods	(1,194,715)	(29,846)	(1,630,172)	(51,996)
Change in inventories of finished products and work in progress	(235,736)		254,836	
Change in inventories of raw and ancillary materials, consumables and goods	5,519		46,710	
Materials consumed	**(1,424,932)**		**(1,328,626)**	
Payroll costs	(356,710)		(385,972)	
Services and other operating expenses	(987,496)	(779)	(997,413)	(1,145)
Provisions	(19,919)		(28,967)	
Amortization	(105,838)		(93,679)	
EBIT	**263,538**		**386,930**	
Net financial income (expenses)	(25,341)	(289)	13,321	(244)
Profit (loss) before taxes	**238,197**		**400,251**	
Taxes	(58,354)		(88,502)	
Consolidated profit (loss)	**179,843**		**311,749**	
Profit (loss) pertaining to minority	2,415		651	
Consolidated profit (loss) after taxes	**177,428**		**311,098**	

ASSETS (€/000)	31.12.2022	of which with related parties	31.12.2021	of which with related parties
Non-current assets				
Intangible assets	891,181		867,877	
- Goodwill	*373,754*		*358,405*	
- Other intangible assets	*517,427*		*509,472*	
Property, plant and equipment	446,899		388,478	
- Land, property, plant and machinery	*210,818*		*178,946*	
- Other tangible assets	*158,071*		*135,813*	
- Right of use assets	*78,010*		*73,719*	
Equity investments and other financial assets	136,336		82,475	
- Equity investments	*6,103*		*7,331*	
- Receivables	*5,609*		*4,605*	
- Other non-current financial assets	*124,624*		*70,539*	
Deferred tax assets	64,634		74,297	
Total non-current assets	**1,539,050**		**1,413,127**	
Current assets				
Inventories	550,659		769,253	
Trade receivables	278,811	1,417	366,668	2,738
Current tax assets	15,512		9,492	
Other receivables	29,884		43,148	376
Current financial receivables and assets	368,354		302,077	
Cash and cash equivalents	770,247		1,026,081	
Total current assets	**2,013,467**		**2,516,719**	
Non-current assets held for sale	1,189		1,055	
Total assets	**3,553,706**		**3,930,901**	

NET EQUITY AND LIABILITIES (€/000)	31.12.2022	of which with related parties	31.12.2021	of which with related parties
Net equity				
Group portion of net equity	1,659,117		1,568,577	
- Share Capital	*226,590*		*226,344*	
- Reserves	*1,255,099*		*1,031,135*	
- Profit (loss) pertaining to the Group	*177,428*		*311,098*	
Minority interest	4,274		2,018	
Total net equity	**1,663,391**		**1,570,595**	
Non-current liabilities				
Financial payables	773,968		681,020	
- Banks loans and borrowings (long-term portion)	*477,582*		*357,457*	
- Other financial payables (long-term portion)	*236,026*		*266,335*	
- Lease liabilities (long-term portion)	*60,360*	*18,070*	*57,228*	*20,535*
Deferred tax liabilities	83,254		70,070	
Non-current provisions for contingencies and other charges	110,699		119,421	
- Employee benefits	*38,532*		*53,378*	
- Other provisions	*72,167*		*66,043*	
Total non-current liabilities	**967,921**		**870,511**	
Current liabilities				
Trade payables	540,687	13,392	936,229	19,304
Financial payables	190,476		292,589	
- Banks loans and borrowings (short-term portion)	*91,510*		*221,691*	
- Other financial payables (short-term portion)	*78,502*		*51,860*	
- Lease liabilities (short-term portion)	*20,464*	*3,513*	*19,038*	*3,636*
Current tax liabilities	76,264	47,984	120,900	60,894
Other payables	114,967		140,077	
Total current liabilities	**922,394**		**1,489,795**	
Total net equity and liabilities	**3,553,706**		**3,930,901**	

Transactions and balances with related parties Summary by company

In compliance with the guidelines and methods for identifying significant transactions, especially those with related parties covered by the De' Longhi S.p.A. rules on corporate governance, we shall now present the following information concerning related party transactions during 2022 and related balances with mainly commercial nature at 31 December 2022:

(€/million)	Revenues	Costs	Financial Income (Expense)	Trade and other receivables	Trade and other payables	Financial payables - IFRS 16
Related companies:						
DL Radiators S.p.a.	1.6	-	-	-	-	-
TCL-De'Longhi Home Appliances (Zhongshan) Co.Ltd.	-	5.2	-	-	-	-
NPE S.r.l.	0.4	24.8	-	0.6	13.4	-
Gamma S.r.l.	1.2	0.6	(0.3)	0.7	-	21.6
De Longhi Industrial S.A.	-	-	-	-	48.0	-
Other related parties	0.5	-	-	0.1	-	-
Total related parties	**3.7**	**30.6**	**(0.3)**	**1.4**	**61.4**	**21.6**

Following the application of IFRS 16 Leases, payables owed to Gamma S.r.l., along with the relative right-of-use assets, stemming from the leases for two locations in Italy were recognized; interestexpenses owed for the period was also recognized.

The Parent Company De' Longhi S.p.A. and a few Italian subsidiaries adhered to the national tax consolidation regime (Presidential Decree. n. 917/1986 - "TUIR"- articles 117 through 129, and Decree of 1st March 2018), as part of a tax group formed by De Longhi Industrial S.A.; the agreement entered into covers the three-year period 2022-2024 and may be renewed. The €48.0 million included in tax payables is comprised of the taxes payable by the members of the tax group through De Longhi Industrial S.A..

On 13 July 2022 DL Radiators S.p.a. was sold to Gruppo Stelrad Group PLC, therefore only those transactions which occurred before that date were identified as related party transactions in this statement.

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

Fees paid to the external auditors Disclosure pursuant to art. 149-duodecies of the Consob Issuer Regulations

(Appendix 4 to the Explanatory notes - €/000)

Type of service	Party performing the service	Recipient	Fees earned in 2022 (€/000)
Auditing	PwC S.p.A.	De' Longhi S.p.A. (parent company)	382
	PwC S.p.A.	Italian subsidiaries	252
	Network of parent company auditor	Foreign subsidiaries	1,343
	Other auditors	Foreign subsidiaries	104
Other services	PwC S.p.A.	De' Longhi S.p.A. (parent company)	27
	Network of parent company auditor	De' Longhi S.p.A. (parent company)	27
	PwC S.p.A.	Italian subsidiaries	54
	Network of parent company auditor	Foreign subsidiaries	312

Certification of the consolidated financial statements pursuant to art. 81-ter of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions

(Appendix 5 to the Explanatory notes)

The undersigned Fabio de' Longhi, Chief Executive Officer, and Stefano Biella, as Officer Responsible for Preparing the Company's Financial Report of De' Longhi S.p.A., attest, also taking account of the provisions of paragraphs 2, 3 and 4, art. 154-bis of Decree 58 dated 24 February 1998:

that the accounting and administrative processes for preparing the consolidated financial statements during 2022:

- have been adequate in relation to the company's characteristics and
- have been effectively applied.

It is also certified that the consolidated financial statements at 31 December 2022:

- have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002 and with the measures implementing art. 9 of Decree 38/2005;
- correspond to the underlying accounting records and books of account;
- are able to provide a true and fair view of the issuer's statement of financial position and results of operations and of the Group of companies included in the consolidation.

The report on operations contains a reliable account of performance and of the results of operations and of the situation of the issuer and the Group of companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Fabio de' Longhi
Chief Executive Officer

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

Group annual report and financial statements

External auditors’ report on the consolidated financial statements

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of De' Longhi SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of De' Longhi Group (the Group), which comprise the statement of financial position as of 31 December 2022, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of De' Longhi SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*

Recoverability of the value of indefinite-lived intangible assets

Notes 11 and 12 to the consolidated financial statements

The consolidated financial statements of De'Longhi SpA include indefinite-lived intangible assets, which are not amortised but tested for impairment at least annually.
Indefinite-lived intangible assets comprise goodwill for Euro 373.8 million and trademarks for Euro 336 million.
The latter comprise the 'De' Longhi' trademark for Euro 79.8 million, a perpetual licence on the 'Braun' brand for Euro 95 million, the entire trademark portfolio of the Capital Brands Group for Euro 124.3 million, and the 'Eversys' trademark for Euro 36.9 million.

For the purpose of verifying the recoverability of goodwill, the Group's net assets were allocated to the following cash-generating units ("CGUs"): De'Longhi, Kenwood, Braun, Capital Brands and Eversys.

To estimate the recoverable amount of the individual CGUs, management calculated value in use using the discounted cash flow method: value in use is calculated as the sum of the present value of the future cash flows over the explicit forecast horizon and a terminal value obtained applying a long-term growth rate to the last year of the business plan. The recoverable amount of each CGU to which goodwill has been allocated was compared with the net invested capital of the individual CGUs.

Moreover, the carrying amounts of trademarks were tested for impairment. The method adopted for testing in order to determine the fair values of these assets, consisted in discounting to present value the royalties that the Group would be able to earn by transferring the right to use the trademark in question to a third party on a permanent basis.

This method involves estimating the sales volumes that can reasonably be expected from the

As part of our audit of the consolidated financial statements as of 31 December 2022, we performed the procedures illustrated below.

We obtained the exercises prepared by management to determine the recoverable amounts of the CGUs identified and trademarks. The impairment tests were approved by the board of directors on 13 March 2023.

Our audit approach was based on analysing the method used by the directors to prepare the tests. In detail:

- We understood and evaluated the Group's internal control over the process of testing the recoverability of indefinite-lived assets;
- We analysed the reasonableness of Group management's considerations about the identification of the CGUs and the process of allocation of net assets to the individual CGUs.
- We analysed the estimated future cash flows from the CGUs to which goodwill was allocated and, with regard to trademarks, the royalty flows, which were used in the impairment test models, specifically verifying the reasonableness of the assumptions used, in light of the past results of individual CGUs and individual brands and comparing the growth rates used by management with external sources.

With the support of business valuation experts from the PwC network, we verified that the valuation methods used for the impairment tests were consistent with trademarks being tested, the royalty flows and the discount rate. The recoverable amounts thus obtained were compared with the carrying amounts of the trademarks.

In the course of our audit of the consolidated financial statements as of 31 December 2022, we focused on these items as a key audit matter in consideration of the magnitude of the balances and the fact that the assets' recoverability was verified by management based on assumptions that are sometime complex, and that by nature involve the use of judgement, specifically with reference to the estimation of the future cash flows expected to be generated from each CGU and of royalties from trademarks, and the determination of the long-term growth rates and discount rates applied.

prevailing practice, and specifically with International Financial Reporting Standards as adopted by the European Union. Moreover, the key valuation parameters adopted were analysed in terms of reasonableness. With specific reference to the method of calculation of discount rates and royalty rates, we verified that these had been determined in accordance with prevailing practice and based on market figures. Similarly, for the determination of the medium/long-term growth rates we verified their consistency with the provisions of International Financial Reporting Standards as adopted by the European Union.

We verified the mathematical accuracy of the calculations of the impairment tests and of the values of net invested capital of the CGUs identified, including goodwill, as of 31 December 2022 that were used for comparison with values in use.

Finally, our procedures included an analysis of the notes to the consolidated financial statements to assess the adequacy and completeness of disclosures.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate De' Longhi SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our

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independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 19 April 2018, the shareholders of De' Longhi SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2019 to 31 December 2027.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) No. 2019/815

The directors of De' Longhi SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) No. 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements as of 31 December 2022, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements as of 31 December 2022 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the explanatory notes to the consolidated financial statements, when extracted from the XHTML format into an XBRL instance, may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of De' Longhi SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the De' Longhi Group as of 31 December 2022, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the De' Longhi Group as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of De' Longhi Group as of 31 December 2022 and are prepared in compliance with the law.
With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of De' Longhi SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Treviso, 29 March 2023

PricewaterhouseCoopers SpA

Signed by

Filippo Zagagnin
(Partner)

As disclosed in "Contents" section, the accompanying financial statements of De' Longhi SpA constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Group annual report and financial statements

Indipendent auditors' report on consolidated Non-Financial Statement

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Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB regulation No. 20267

To the board of directors of De' Longhi SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of De' Longhi SpA and its subsidiaries (the "Group") for the year ended 31 December 2022 prepared in accordance with article 4 of the Decree, and approved by the board of directors on 13 march 2023 (the "NFS").

Our review does not extend to the information set out in "the European Taxonomy" paragraph of the NFS, required by article 8 of European Regulation 2020/852.

Responsibilities of the Directors and the Board of Statutory Auditors for the NFS

The directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016, and updated to 2021, from GRI – Global Reporting Initiative (hereafter the "GRI Standards"), identified by them as the reporting standard.

The directors are also responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures*:*

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with the information reported in the Group's consolidated financial statements*;*
4. understanding of the following matters:
   - business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
   - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
   - key risks generated and/or faced by the Group with reference to the matters specified in article 3 of the Decree.

   With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;
5. Understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

In detail, we held meetings and interviews with the management of De’ Longhi SpA and with the personnel of De’ Longhi Appliances Srl, De’ Longhi Romania Srl and De’ Longhi Braun Household GmbH and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- At a group level,
  a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
  b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information.

- For the Italy perimeter (consisting of the Treviso and Silea offices and the Mignagola, Gorgo al Monticano and Campi Bisenzio plants), for the Romania perimeter (consisting of the offices of De' Longhi Romania Srl - Cluj and Salonta) and for De’ Longhi Braun Household GmbH (located in Neu-Isenburg – Germany) which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out drill down activities with local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of De’ Longhi Group for the year ended 31 December 2022 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards.

Our conclusions on the NFS of De’ Longhi Group do not extend to the information set out in “the European taxonomy” paragraph of the NFS, required by article 8 of European Regulation 2020/852.

Treviso, 29 March 2023

PricewaterhouseCoopers SpA

Signed by

Filippo Zagagnin
(Revisore Legale)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2022 translation

Report on operations on separate financial statements

Review of the income statement

(€/million)	2022	% revenues	2021	% revenues
Revenues	**12.7**	**100.0%**	**14.5**	**100.0%**
Changes 2022/2021	*(1.9)*	*(12.9%)*		
Materials consumed	(0.1)	(0.5%)	(0.1)	(0.3%)
Other services and expenses	(18.8)	(148.7%)	(21.0)	(144.1%)
Payroll	(7.0)	(55.1%)	(16.0)	(110.0%)
EBITDA before non-recurring expenses / stock option	**(13.2)**	**(104.4%)**	**(22.5)**	**(154.4%)**
Changes 2022/2021	*9.2*	*(41.1%)*		
Non-recurring expenses / stock option	(0.9)	(6.8%)	(3.7)	(25.3%)
EBITDA	**(14.1)**	**(111.2%)**	**(26.1)**	**(179.7%)**
Amortization	(0.4)	(3.1%)	(0.6)	(3.9%)
EBIT	**(14.5)**	**(114.3%)**	**(26.7)**	**(183.6%)**
Changes 2022/2021	*12.2*	*(45.8%)*		
Dividends	132.9	1.049.5%	133.3	916.5%
Net financial income (expenses)	(11.9)	(93.6%)	(5.3)	(36.2%)
Profit (loss) before taxes	**106.6**	**841.6%**	**101.4**	**696.8%**
Income taxes	(5.8)	(45.8%)	5.7	39.4%
Profit (loss) after taxes	**100.8**	**795.8%**	**107.1**	**736.2%**

De' Longhi S.p.A, the parent of the De' Longhi Group, performs holding company activities involving the management and supply of centralized services to its subsidiaries. The income statement, therefore, reflects the dividends received from the subsidiaries, other chargebacks for services provided, as well as operating (payroll costs and the cost of services) and financial expenses.

In 2022 dividends amounted to €132.9 million (€133.3 million in 2021) while net financial expenses came to €11.9 million (€5.3 million in 2021).

Net financial expenses include the interest on the Company's financial debt (recalculated using the amortized cost method based on which interest expense was recognized before the actual payment).

The taxes for the year include the deferred liabilities recognized for €9.8 million stemming from the possible release of distributable profit reserves of a few Group companies in accordance with Law 197/2022.

Net profit came to €100.8 million (€107.1 million in 2021).

Review of the statement of financial position

The reclassified statement of financial position is presented below:

(€/million)	31.12.2022	31.12.2021	Change	% change
- Tangible and intangible assets	1.2	1.3	(0.1)	(9.7%)
- Financial assets	567.5	567.5	-	-
Non-current assets	**568.7**	**568.8**	**(0.1)**	**-**
- Trade receivables	1.2	1.3	(0.1)	(4.1%)
- Trade payables	(7.6)	(5.9)	(1.7)	29.6%
- Other current payables (net of other receivables)	1.0	0.3	0.8	294.8%
Net working capital	**(5.4)**	**(4.3)**	**(1.0)**	**23.7%**
Total non-current liabilities and provisions	**(16.9)**	**(7.1)**	**(9.8)**	**138.9%**
Net capital employed	**546.4**	**557.4**	**(11.0)**	**(2.0%)**
(Positive net financial position)	**(42.1)**	**(48.0)**	**5.9**	**(12.2%)**
Total net equity	**588.5**	**605.4**	**(16.8)**	**(2.8%)**
Total net debt and equity	**546.4**	**557.4**	**(11.0)**	**(2.0%)**

The positive net financial position amounted to €42.1 million at 31 December 2022 (€48.0 million at 31 December 2021), broken down as follows:

(€/million)	31.12.2022	31.12.2021	Change
Cash and cash equivalents	2.5	20.5	(18.0)
Other financial receivables	861.9	885.9	(24.0)
Current financial debt	(110.1)	(243.2)	133.1
Positive current net financial position	**754.3**	**663.2**	**91.1**
Non-current net financial debt	**(712.2)**	**(615.2)**	**(97.0)**
Total positive net financial position	**42.1**	**48.0**	**(5.9)**
of which:			
- net position with banks and other lenders	*39.2*	*48.9*	*(9.7)*
- lease payables	*(1.0)*	*(1.0)*	*-*
- other net assets/(liabilities) (fair value of derivatives)	*3.9*	*0.1*	*3.8*

Net debt includes a few specific financial items, including the fair value measurement of derivatives which shows a net positive balance of €3.9 million at 31 December 2022 (positive for €0.1 million at 31 December 2021).

The net financial position at 31 December 2022 also includes the impact of IFRS 16 adoption with resulted in the recognition of €1.0 million in "Lease payables" (€1.0 million at 31 December 2021).

Net of these items, the net financial position with banks was €39.2 million at 31 December 2022, with cash flow reaching a negative €9.7 million in the twelve-month period.

Despite its sound financial situation, as part of its strategy to extend the average life of its debt and create a liquidity buffer to be used to meet possible and temporary cash needs, in 2022 the Company decided to increase and diversify its financial resources by signing new loan agreements for a total of €200 million. The loans call for a pricing mechanism based on which the terms of the loan may be adjusted each year if certain ESG (Environmental-Social-Governance) targets are reached.

The ESG targets are part of the path already undertaken by the Company to include sustainability in its business strategy. The targets aim to combine growth with sustainable development and confirm the strong commitment to developing a model which fosters the increased integration of sustainability as strategic to creating value for all of its stakeholders.

The Company also negotiated a few RCFs for a total of €270 million.

The statement of cash flows, reclassified on the basis of net financial position, is summarized as follows:

(€/million)	**2022**	**2021**
Cash flow by current operations	(27.3)	(28.3)
Cash flow by other changes in working capital	6.5	8.1
Cash flow by investment activities	132.7	133.0
Cash flow by operating activities	**111.9**	**112.8**
Dividends paid	(124.5)	(80.8)
Cash flow by changes in cash flow hedge reserves	3.4	1.3
Stock options exercise	3.3	7.1
Cash flow by changes in net equity	**(117.8)**	**(72.4)**
Cash flow for the period	**(5.9)**	**40.4**
Opening positive net financial position	48.0	7.6
Closing positive net financial position	**42.1**	**48.0**

Net operating cash flow amounted to €111.9 million (vs. €112.8 million in 2021), a decrease of € 0.9 million with respect to the prior year.

Cash flow to net equity reached a negative €117.8 million (negative €72.4 million in 2021), explained primarily by dividend payments of €124.5 million, the exercise of stock options for €3.3 million and the change in the cash flow hedge reserve relating to the fair value of derivatives of €3.4 million.

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

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

(€/thousands)	Net equity 31.12.2022	Profit for 2022	Net equity 31.12.2021	Profit for 2021
De’ Longhi S.p.A. financial statements	**588,531**	**100,808**	**605,379**	**107,099**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	649,687	59,442	583,331	224,690
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	465,679	5,308	436,660	(5,634)
Elimination of intercompany profits	(40,820)	14,286	(55,097)	(14,406)
Other adjustments	314	(1)	322	-
Consolidated financial statements	**1,663,391**	**179,843**	**1,570,595**	**311,749**
Minority	4,274	2,415	2,018	651
Consolidated financial statements-Group portion	**1,659,117**	**177,428**	**1,568,577**	**311,098**

Annual remuneration report

Please refer to the yearly Report on Remuneration for all relevant information not contained in the present report.

Human resources and organization

The company had 55 employees at 31 December 2022 (58 at 31 December 2021).

The following table summarizes the average number of employees during 2022 compared with 2021:

	2022	%	2021	%	Change
White collars	41	71%	36	65%	5
Managers	17	29%	19	35%	(2)
Total	**58**	**100%**	**55**	**100%**	**3**

Research and development

As a holding company, the Company does not carry out any research and development directly. These activities are carried out by employees of the individual subsidiaries. More details can be found in the paragraph on *"Research and Development - quality control"* found in the Report on Operations accompanying the consolidated financial statements.

Report on corporate governance and ownership structure

Company's Report on Corporate Governance and Ownership Structure drawn up in accordance with art. 123 - bis of the Uniform Finance Act can be found in a report not included in the Report on Operations, published at the same time as the latter and available on the company's website www.delonghigroup.com (section *Home > Governance > Corporate bodies >Shareholders' Meeting 2023*).

Pursuant to art. 16.4 of the Market Regulations please note that the Company is not subject to the direction and control of the parent company De Longhi Industrial S.A., or of any other party, pursuant to and in accordance with articles 2497 et seq of the Italian Civil Code, insofar as (i) the Group's business, strategic and financial plans, as well as the budget, are approved independently by the Company's Board of Directors; (ii) the financial and funding policies are defined by the Company; (iii) the Company conducts its relationships with clients and suppliers in full autonomy; and (iv) in accordance with the principles of the Corporate Governance Code, important strategic, economic, equity and financial transactions are examined by the board and approved exclusively by the Board of Directors.

Risk management and internal control system relating to the financial reporting process

Introduction

The Company's Internal Control System consists in the set of rules, procedures and organizational structures set in place to ensure that company strategies are adhered to and, based on the corporate governance standards and model included in the COSO report (Committee of Sponsoring Organizations of the Treadway Commission), to guarantee:

a. efficient and effective company operations (administration, production, distribution, etc.);

b. reliable, accurate, trustworthy and timely economic and financial information;

c. compliance with laws and regulations, as well as the corporate articles of associations, rules and company procedures;

d. safeguarding of the company's assets and protection, to the extent possible, from losses;

e. identification, assessment, management and monitoring of the main risks.

The executive administrative bodies of the Company (Board of Directors, the Control and Risks, Corporate Governance and Sustainability Committee, Director in Charge of the Internal Control and Risk Management System), the Board of Statutory Auditors, the Director of Internal Audit, the Supervisory Board, the Chief financial officer/Financial Reporting Officer and all De' Longhi personnel, as well as the Directors and Statutory Auditors of the Issuer's subsidiaries, are involved in the controls, with different roles and in function of their expertise and adhere to the recommendations and principles found in the guidelines.

The Internal Control System that is subject to examination and periodic audits, taking into account changes in the company's operations and reference context, makes it possible to address the main risks to which the Issuer and the Group are exposed to over time, in a timely manner, as well as to identify, assess and control the degree of the exposure of the Issuer and all the other companies of the Group - particularly the strategically important subsidiaries - to the different types of risk, and also makes it possible to manage the overall exposure taking into account:

i. the possible correlations between the different risk factors;

ii. the probability that the risk materializes;

iii. the impact of the risk on the company's operations;

iv. the overall impact of the risk.

The internal control and risk management system relating to the financial reporting process (administrative and accounting procedures used to draft the separate and consolidated annual financial statements and the other economic and/or financial reports and disclosures prepared in accordance with the law and/or regulations, as well as ensuring correct implementation) coordinated by the Chief financial officer/Financial Reporting Officer, is an integral and essential part of the Company's Internal Control and Risk Management System.

The Director of Internal Audit - who is in charge of verifying that the internal control and risk management system works efficiently and effectively - prepares a work plan each year that is presented to the Board of Directors for approval, subject to the positive opinion of the Control and Risks, Corporate Governance and Sustainability Committee and after having consulted with the Board of Statutory Auditors and the Director in Charge of the Internal Control and Risk Management System, based also on the comments made by the Chief financial officer/Financial Reporting Officer, as well as pursuant to Legislative Decree 262/05. Discusses the steps taken to resolve any problems, to make the improvements agreed upon, as well as the results of the testing activities with the Control and Risks, Corporate Governance and Sustainability Committee. Provides the Chief financial officer/Financial Reporting Officer, as well as the administrative body assigned, with a summary report based on which they can assess the adequacy and application of administrative procedures to be used to prepare the financial statements.

Description of main characteristics

The Company uses a system of risk management and internal control for the financial reporting process that is part of the wider system of internal controls as required under art. 123-bis par. 2 (b) of TUF.

For the purposes of ensuring reliable internal controls over its financial reporting, the Company has implemented a system of administrative and accounting procedures and operations that include an updating in order to comply with the law and changing accounting standard, rules for consolidation and interim financial reporting, as well as coordination with subsidiaries as needed.

The central corporate functions are responsible for managing and communicating these procedures to other Group companies.

The assessment, monitoring and continuous updating of the internal control system relating specifically to financial reporting is carried out in accordance with the COSO model and, where applicable, Law 262/2005. Critical processes and sub-processes relating to the principal risks have been identified in order to establish the principal controls needed to reduce such risks. This has involved identifying the strategically important companies, based on quantitative and qualitative financial parameters (i.e. companies that are relevant in terms of size and companies that are relevant just in terms of certain processes and specific risks).

Having identified these companies, the risks have been mapped and assessed and the key manual and automatic controls have been identified and rated as high/medium/low priority accordingly; these controls have then been tested.

The perimeter of the companies included in the mapping for the purposes of Law 262/2005 has changed over the years to reflect the changes in the Group, both quantitative and qualitative, and this perimeter was also considered for the definition of companies viewed as strategic.

The general managers and administrative heads of each Group company are responsible for maintaining an adequate internal control system and, given their roles, must certify that the internal control system works properly.

Internal Audit must also include verification of the internal controls through the use of a self-assessment check list in its Audit Plan.

With regard to compliance with Consob Regulation 20249 of 28 December 2017 relating to market regulations (“Regolamento Mercati”), De’ Longhi S.p.A. controls, directly or indirectly, seven companies formed and regulated by the law of countries that are not part of the European Union considered relevant pursuant to art. 151 of the issuer regulations (“Regolamento Emittenti”).

With reference to the requirements of art. 15 of the Market Regulations, it is reported as follows:

- in the issuer’s opinion, these companies have suitable accounting and reporting systems for regularly providing management and the auditors of De’ Longhi S.p.A. with all the financial information needed to prepare the consolidated financial statements and perform the audit of the accounts;
- these companies provide the auditors of De’ Longhi S.p.A. with the information needed to audit the parent company’s interim and annual financial statements;
- the issuer keeps the articles of association of the aforementioned companies and details of their company officers and related powers, which are constantly updated for any changes in the same;
- the financial statements of such companies, prepared for the purposes of the De’ Longhi Group’s consolidated financial statements, have been made available in the manner and terms established by existing law. Please note that the identification and analysis of the risk factors contained in this report were carried out including in light of the change in strategic companies as resolved by the Board of Directors.

In order to identify and manage the Company’s main risks, with regard particularly to corporate governance and compliance with the law and regulatory standards (including, specifically the recommendations found in the Corporate Governance Code for Listed Companies), the Company undertook to develop and monitor a structured Enterprise Risk Management model.

The purpose underlying the implementation and deployment of the Enterprise Risk Management (ERM) system is to strengthen the risk control and management system by mapping the main risks to which the Group is exposed along its value chain, identifying the inherent and relative residual risk, as well as defining and implementing the actions needed to eliminate and/or mitigate them.

In 2022 the activities relating to the management and analysis of the risk management system continued through a few additional activities, carried out by Internal Audit, which called for the monitoring of Group roles and the completion of what is, basically, the “New ERM Platform” which constitutes the foundation for more structured and efficient risk management. The implementation of this platform marks an important change in the Group’s approach to Risk Management which combines the top-down perspective of management and strategic supervision with a bottom-up valuation to define relevant local risks for each branch.

The ERM system also includes a list of risks connected to sustainability.

This reflects the gradual integration of environmental and social sustainability, as well as governance, in the corporate strategy, risk management and compensation processes, promoting a systemic and transparent approach, respectful of the standards found in the Code of Ethics, with a view to also guaranteeing diversity, equal opportunity, fairness and no discrimination of any kind. These risks also include climate change.

In the two-year period 2021-2022 the main markets/plants and a majority of the departments at headquarters were involved.

While the onboarding activities were being carried out in 2022, the Group’s main managers were asked to provide their input as to the most imminent and impactful risks. Another extended phase of the project involved a great number of managers worldwide which allowed for a more extensive mapping of the biggest risks perceived globally.

In a backdrop of strong Group growth, the main risks in 2021 were tied to the problems connected with the pandemic, namely the difficulties in providing the amount of products needed by the customer deadlines. The main critical issues in 2022 were, rather, connected to the extremely volatile economic environment which was impacted by high inflation (increase in the cost of materials and energy), increased interest rates and volatile foreign exchange markets, as well as the difficulties encountered with forecasting, the retention of key resources and the conflict in Ukraine.

A majority of the managers identified the difficult macroeconomic environment and the risk of a recession as some of the main risks. Other localized risk factors included a possible decrease in demand and, more in general, an environment of great instability which makes it difficult to make projections.

Internal Audit will continue to expand the “risk library” and further improve the functionality of the platform, in order to facilitate the updating, supervision and monitoring of risks.

Risk factors

The risk factors and uncertainties that could materially affect the Company’s business are discussed below.

These risk factors also take in to account the above mentioned ERM project and the assessments carried out in prior years including through more in depth analysis shared with the Control and Risks, Corporate Governance and Sustainability Committee and Company’s Board of Statutory Auditors.

With reference to the main risks, highlighted below, the Company monitors and places continuous attention to any situations and developments in the macroeconomic, market and demand trends in order to be able to implement any necessary and timely strategic actions.

It should also be noted that in addition to the risk factors and uncertainties identified in this report, other risks and uncertain events not currently foreseeable, or which are currently thought unlikely, could also influence the business, the economic and financial conditions and prospects of the Company.

1 - Risks relating to macroeconomic trends: the Company's economic performance and financial position are also affected by macroeconomic trends.

The current situation of general instability materialized at the same time in the world's main developed economies, albeit to varying degrees and for different reasons: in Europe the conflict in Ukraine and strong increases in energy costs, which impacted consumption and investments; in China, the zero-tolerance Covid policies and the crisis of the real estate sector; in the USA, the strong inflationary pressures tied to monetary policies.

The Company monitors these economic trends periodically in order to take quick strategic action as needed.

The Group is also subject to the risks connected to the spread of epidemics or serious health issues in the main reference markets which could interrupt or limit activities in these markets (in relation to operations, the supply chain and/or the sale of products, as well as all the back-office activities) as well as risks stemming from local conflicts which can also affect key markets, as was the case in Ukraine.

These events are not foreseeable, but as a result of past experiences the Company is able to react and implement all the measures needed to limit the consequences, as was the case in 2020/2021 when, due the global health crisis, the Group had to face an unprecedented level of market uncertainty.

The persistence of these situations, however, could interrupt and/or limit the Company's activities which would have an impact on economic and financial results.

2 - Exchange rate fluctuation risks: the Company does business in many foreign markets and is exposed to the risk of fluctuations in currencies.

For the purposes of protecting its income statement and statement of financial position from such fluctuations, the Company adopts a suitable hedging policy and tools, free from speculative connotations.

Hedging is carried out centrally by a special team on the basis of information obtained from a detailed reporting system, using instruments and policies that comply with international accounting standards.

The main currencies to which the Company is exposed are the US dollar, the HK dollar and the British pound.

Despite the Company's effort to minimize the abovementioned risk, sudden currency fluctuations could have an adverse impact on the Company's results and business prospects.

3 - Risks relating to human resources management: the Company's success largely depends on the ability of its executive directors and other members of management to effectively manage the Company and the individual areas of business and on the professionalism of the human resources that it has been able to attract and develop.

The principal risks relating to human resources are linked to the Company's ability to attract, develop, motivate, retain and empower staff who have the necessary talent, values, and specialist and/or managerial skills to satisfy the Company's changing needs.

The loss of such individuals or other key employees without adequate replacement, or the failure to attract and retain new qualified resources could therefore adversely affect the Company's business prospects, as well as its economic performance and/or financial position.

In terms of being able to attract quality resources, the Company not only have specialist qualified professional human resources teams, but they also plan actions to improve the quality of working environment for its employees and staff as well as the Company's external image (communication, contact with schools and universities, testimonials, internships, etc.), in some cases using the services of specialist professional firms with a proven track record.

In terms of motivating and developing personnel, actions taken include the strengthening of managerial, specialist, business and regulative competencies, with initiatives that involve managers and staff from different areas of the business.

The salary review process also includes reward systems for employees at various levels in the organization - from the staff through to top management and key people - which are linked to the achievement of short-term and/or medium/long term targets.

Specific investments are made in the training and development of internal resources and the improvement of the workplace environment (cafeteria, recreational activities, lounge spaces and access to WiFi).

The health crisis was a critical factor for human resources also, which determined the course of the last three years. In the face of the recent Covid-19 health crisis, the Company defined and implemented an important series of actions in all its branches which aimed to ensure the maximum safety and security of its employees, while also ensuring business continuity.

4 - Risks relating to IT systems: the information systems of a complex international group are an important and delicate part of the company's processes.

The risks involved include events that could jeopardise the ability to provide continuous service, the safekeeping of data, obsolescence of telecommunications and data processing technologies.

Cyber-attacks are a threat to any sector and there has been a general, gradual increase in cyber-crimes. Cyber Risk, namely the risk of financial losses, interruptions or damages to an organization's reputation, stemming from accidents (for example, shutting down servers) or intentional acts (for example, theft of sensitive data) which damage the IT system, has, therefore, become increasingly important.

The Company has taken the steps needed to limit the above mentioned risks which include the standard security devices used to protect systems and hardware (from the use of back-up devices to outsourcing with specialized companies). Continuous technological updates are assured by the prevalent use of the SAP platform. While the Company has taken all the steps needed to minimize these risks, catastrophic events that could compromise the information systems cannot be excluded.

The Company has launched a multi-year Cyber Risk Management project in order to analyze any problem areas and take the actions needed to safeguard against this type of risk.

5 - Liquidity, financing and interest rate risks: the liquidity risk possibly faced by the Company is the risk of not having the funds needed to fulfil payment obligations arising from operating and investment activities and from the maturity of financial instruments. The Company holds assets and liabilities that are sensitive to interest rate changes and that are necessary to manage its liquidity and financial needs.

It is the Company's policy to maintain a sufficiently large portfolio of counterparties of international repute for the purposes of satisfying its financing and hedging needs.

The Company uses specific policies and procedures for the purposes of monitoring and managing this risk, including the centralized cash management (financial debt and cash management, the raising of medium and long-term finance on capital markets and the obtaining of short-term credit lines that allow wide room for manoeuvre when managing working capital and cash flows).

About the interest rate risk, at 31 December 2022 the Company's net financial position is positive and financial debt is mainly medium-long term, in order to take advantage of the favourable market conditions. The Company also has short-term bank credit lines (typically renewed on an annual basis), which are optionally used to finance working capital and other operating needs.

In 2022 there was a sudden change in monetary policies which resulted in a significant increase in interest rates.

The management of this risk is centralized and done using the same structure used to manage foreign exchange risk. Nevertheless, sudden fluctuations in interest rates could have an adverse impact on the Company's business prospects, as well on its economic results and/or financial position.

At the date of this report, the Company has one hedging agreement which protects the medium/long term loans from fluctuations in the interest rates.

6 - Compliance and corporate reporting risks

A. Financial reporting: risks associated with the reliability of financial reporting, particularly that the information contained in the annual and interim financial reports might not be correct, warrant particular attention, especially for a listed company.

In 2022, effective implementation of the system of managing financial reporting risks was monitored on a continuous basis and periodically evaluated under the guidance of the functions in charge.

For the purposes of ensuring reliable internal financial reporting controls, the Company implemented a system of administrative and accounting procedures which include the accounting policy instructions, principles and updates, as well as other procedures for preparing the consolidated financial statements and the periodic financial reports.

The Company's central "Corporate" functions are responsible for managing and communicating these procedures to other Group companies. The control bodies (internal and external) carry out the related audits to the extent of their responsibilities.

Any failure to maintain adequate processes, as well as adequate administrative-accounting and management controls, may result in erroneous financial reporting.

In addition to financial reports, the Company also prepares a Non-Financial Statement based on the GRI-2021 principles and each year instructs the branches as to which non-financial indicators should be reported on.

B. Risks relating to the administrative liability of legal: in compliance with EU directives, Decree 231/2001 has introduced into Italian law special rules applying to the liability of entities for certain offences, where "entities" mean limited liability business enterprises, partnerships or associations, including those without legal status.

Under this legislation and amendments and additions thereto, the Company has adopted, in accordance with art. 6 of Decree 231/2001, the "Model of organization, management and control" suitable for avoiding the occurrence of such liability at their own expense and the related "Ethical code", intended to apply not only to the Group's Italian companies but also, as far as applicable, to its foreign subsidiaries, since the Company is also answerable, under art. 4 of Decree 231/2001, for offences committed abroad.

Therefore, the company's administrative liability under Decree 231/2001 could exist when this is effectively established as a result of an action brought against one of the Group companies, including the foreign subsidiaries; in such a case, it is not possible to exclude, in addition to the resulting application of penalties, adverse consequences for the Company's operations, economic performance, assets and liabilities and financial position.

7 - Related parties: the Company has had and continues to have transactions of a commercial nature with related parties. Such transactions carry conditions that are in line with market ones.

The Company adopted a new set of procedures to govern transactions with related parties, in compliance with the standards set by the supervisory authorities in CONSOB Regulation 17221 dated 12 March 2010.

The procedures identify those related party transactions subject to specific examination and approval rules, which change according to whether such transactions are above or below defined thresholds. The procedures place particular importance on the role of the independent directors, who must always issue a prior opinion on the proposed transaction (if the transaction qualifies as material, this opinion is binding on the Board of Directors); the independent directors must also be involved in the preliminary examination of material transactions prior to their approval.

These procedures are considered to represent an additional guarantee of the transparency of the Company's operations.

Information on related party transactions is summarized in Appendix 4 to the Explanatory Notes.

More information about the company's risk management can be found in the Explanatory notes.

Number and value of shares

At 31 December 2021 share capital comprised 150,896,092 ordinary shares with a par value €1.5 each, for a total of €226,344 thousand.

In 2022, 163,908 options assigned under the "Stock Option Plan 2016-2022" were exercised at an exercise price of €20.4588, and consequently, the same number of ordinary shares with a par value of €1.5 each were subscribed.

The share capital at 31 December 2022, therefore, comprised 151,060,000 ordinary shares with a par value of €1.5 for a total of €226,590 thousand.

Treasury shares

At 31 December 2022 the Company had 895,350 treasury shares for a total of €14,534 thousand, purchased in previous years.

During the Shareholders' Meeting held on 20 April 2022, shareholders approved the renewal - after revoking the previous authorization granted by shareholders - of the authorization to purchase and sell treasury shares for up to a maximum of 14.5 million ordinary shares or for an amount which does not exceed one fifth of the share capital, including any shares held by the Company or any of its subsidiaries. The buyback program was approved, in accordance with the law, for a period of up to a maximum of 18 months (namely through 20 October 2023).

Tax consolidation

The Company exercised, jointly with the consolidator De Longhi Industrial S.A., the option to adhere to group taxation, referred to as "Domestic Tax Consolidation", as permitted under articles 117 - 129 of the Consolidated Income Tax Act (TUIR) as per Presidential Decree n. 917 of 22 December 1986, and the Decree of the Ministry of Economy and Finance of 1 March 2018, for the three-year period 2022-2024.

Related party transactions

Related party transactions fall within the normal course of the company business.

Information on related party transactions is summarized in Appendix 4 to the Explanatory Notes.

Alternative performance indicators

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

More in detail, the non-GAAP measures used include:

- **EBITDA:** the Company uses these measure as financial targets in internal presentations (business plans) and in external presentations (to analysts and investors), since it is a useful way of measuring operating performance besides EBIT.

  EBITDA is an intermediate measure that derives from EBIT after adding back depreciation, amortization of property, plant and equipment and intangible assets. EBITDA is also presented net of non-recurring items, which are reported separately on the face of the income statement.
- **Net working capital:** this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, current tax liabilities and other payables.
- **Net capital employed:** this measure is the sum of net working capital, intangible assets, property, plant and equipment, equity investments, other non-current receivables, and deferred tax assets, minus deferred tax liabilities, employee severance indemnity and provisions for contingencies and other charges.
- **Net financial debt/(Positive net financial position):** this measure represents gross financial liabilities less cash and cash equivalents and other financial receivables; the net financial position with banks, net non-banking items, is also reported. The individual line items in the statement of financial position used to determine this measure are analysed later in this report.

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

Non-financial statement

Based on Legislative Decree n.254/2016, in implementation of the Directive 95/2014 or "Barnier Directive", large public interest undertakings are required to publish a Non-Financial Statement (NFS) as of FY 2017.

For further information refer to the Consolidated Annual Report on Operations.

Subsequent events

After 31 December 2022 through the date on which this annual report was approved, no events occurred that would have had a significant impact on the financial and economic results recorded, as per IAS 10 - Events after the reporting period.

Proposed resolutions for the Annual General Meeting

1) Proposed resolution relating to item 1.1 of the Agenda for the Annual General Meeting convened on 21 April 2023 *("Annual Report at 31 December 2022: presentation of the financial statements at 31 December 2022, together with the Directors' Report on Operations, the Board of Statutory Auditors' Report and the External Auditors' Report. Related and consequent resolutions")*.

Dear Shareholders,

in submitting the De' Longhi S.p.A.'s Annual Report at 31 December 2022 to you for approval during the Annual General Meeting, we propose that you approve the following resolution:

"The Shareholders of De' Longhi S.p.A., having examined the draft financial statements at 31 December 2022 of De' Longhi S.p.A., the Board of Directors' Report on Operations, the Board of Statutory Auditors' Report, the External Auditors' Report and the other documentation called for under the law

resolve

to approve the Board of Directors' Report on Operations and the financial statements at 31 December 2022 of De' Longhi S.p.A.".

2) Proposed resolution relating to item 1.2 of the Agenda for the Annual General Meeting convened on 21 April 2023 *("Annual Report at 31 December 2022: proposed allocation of the net profit for the year and distribution of the dividend. Related and consequent resolutions")*.

Dear Shareholders,

with regard to the allocation of the net profit for the year closed on 31 December 2022, which amounted to €100,808,066, we propose that you approve the following resolution:

"The Shareholders of De' Longhi S.p.A., having acknowledged the net profit for the year shown in the Annual Report at 31 December 2022 and the Directors' Report on Operations

resolve

1. *to allocate €49,172 of the net profit for the year to the legal reserve, in accordance with art. 2430 of the Italian Civil Code, which represents one fifth of the share capital subscribed at the date of this Annual General Meeting;*
2. *to distribute a gross ordinary dividend of €0.48 for each of the shares outstanding with dividend rights at the record date, as per art. 83-terdecies of Legislative Decree 58/98;*
3. *to allocate the remainder of the earnings for the year to the extraordinary reserve;*
4. *to establish that the payment of the dividend, on each share entitled to receive a dividend, will take place on 24 May 2023, with shares going ex-div on 22 May 2023 (detachment of coupon n. 23) in accordance with Borsa Italiana's calendar, based on the record date set in accordance with art. 83-terdecies of Legislative Decree n. 58/98 of 23 May 2023".*

Treviso, 13 March 2023

On behalf of the Board of Directors
Vice Chairman and Chief Executive Officer

Fabio de' Longhi

Separate annual report and financial statements

De' Longhi S.p.A. - Separate financial statements

Income statement

Statement of comprehensive income

Statement of financial position

Statement of cash flow

Statement of changes in net equity

Income statement

(Amounts in Euro)	*Notes*	2022	*of which non-recurring*	2021	*of which non-recurring*
Revenues	*1*	12,667,489		14,547,102	
Total revenues		**12,667,489**		**14,547,102**	
Raw and ancillary materials, consumables and goods	*2*	(67,480)		(50,630)	
Materials consumed		**(67,480)**		**(50,630)**	
Payroll costs	*3*	(7,846,428)		(19,656,283)	*(83,079)*
Services and other operating expenses	*4*	(18,842,222)		(20,974,778)	*(9,013)*
Amortization	*5*	(392,120)		(560,969)	
EBIT		**(14,480,761)**		**(26,695,558)**	
Net financial income (expenses)	*6*	121,092,914		128,062,180	
Profit (loss) before taxes		**106,612,153**		**101,366,622**	
Income taxes	*7*	(5,804,087)		5,732,161	
Net profit (loss)		**100,808,066**		**107,098,783**	

Appendix 4 reports the effect of related-party transactions on the income statement, as required by CONSOB resolution 15519 of 27 July 2006.

Statement of comprehensive income

(Amounts in Euro)	2022	2021
Net profit (loss)	**100,808,066**	**107,098,783**
Other components of the comprehensive income:		
- Change in fair value of cash flow hedges	3,399,806	1,340,138
- Tax effect on change in fair value of cash flow hedges	(815,953)	(321,633)
Total other comprehensive income will subsequently reclassified to profit (loss) for the year	**2,583,853**	**1,018,505**
- Actuarial valuation funds	51,366	(27,775)
- Tax effect of actuarial valuation funds	(12,328)	6,666
Total other comprehensive income will not subsequently reclassified to profit (loss) for the year	**39,038**	**(21,109)**
Other components of comprehensive income	**2,622,891**	**997,396**
Total comprehensive income	**103,430,957**	**108,096,179**

Statement of financial position

ASSETS (Amounts in Euro)	*Notes*	31.12.2022	31.12.2021
Non-current assets			
Intangible assets		64,753	102,154
- Other intangible assets	*8*	*64,753*	*102,154*
Tangible assets		1,107,229	1,195,522
- Other tangible assets	*9*	*111,275*	*161,975*
- Right of use assets	*10*	*995,954*	*1,033,547*
Equity investments and other financial assets		569,636,587	567,944,179
- Equity investments	*11*	*567,516,127*	*567,516,127*
- Receivables	*12*	*100,372*	*112,325*
- Other non-current financial assets	*13*	*2,020,088*	*315,727*
Total non-current assets		**570,808,569**	**569,241,855**
Current assets			
Trade receivables	*14*	1,219,377	1,271,103
Current tax assets	*15*	483,234	796,240
Other receivables	*16*	7,613,333	16,102,280
Current financial receivables and assets	*17*	861,910,713	885,925,998
Cash and cash equivalents	*18*	2,470,208	20,466,996
Total current assets		**873,696,865**	**924,562,617**
Total assets		**1,444,505,434**	**1,493,804,472**

Appendix 4 reports the effect of related-party transactions on the statement of financial position, as required by CONSOB resolution 15519 of 27 July 2006.

Statement of financial position

NET EQUITY AND LIABILITIES (Amounts in Euro)	*Notes*	31.12.2022	31.12.2021
Net equity			
Net equity		588,530,595	605,379,485
- Share capital	*21*	*226,590,000*	*226,344,138*
- Reserves	*22*	*261,132,529*	*271,936,564*
- Net profit (loss)		*100,808,066*	*107,098,783*
Total net equity		**588,530,595**	**605,379,485**
Non-current liabilities			
Financial payables		714,301,106	615,673,373
- Bank loans and borrowings (long-term portion)	*23*	*477,581,507*	*357,456,781*
- Other financial payables (long-term portion)	*24*	*236,026,199*	*257,455,550*
- Lease liabilities (long-term portion)	*10*	*693,400*	*761,042*
Deferred tax liabilities	25	13,300,309	1,196,014
Non-current provisions for contingencies and other charges		3,604,485	5,878,911
- Employee benefits	*26*	*3,604,485*	*5,878,911*
Total non-current liabilities		**731,205,900**	**622,748,298**
Current liabilities			
Trade payables	27	7,600,488	5,864,825
Financial payables		110,090,798	243,171,419
- Bank loans and borrowings (short-term portion)	*23*	*87,916,257*	*220,608,775*
- Other financial payables (short-term portion)	*24*	*21,870,165*	*22,285,217*
- Lease liabilities (short-term portion)	*10*	*304,376*	*277,427*
Other payables	28	7,077,653	16,640,445
Total current liabilities		**124,768,939**	**265,676,689**
Total net equity and liabilities		**1,444,505,434**	**1,493,804,472**

Appendix 4 reports the effect of related-party transactions on the statement of financial position, as required by CONSOB resolution 15519 of 27 July 2006.

Statement of cash flow

(Amounts in Euro)	*Notes*	2022	2021
Net profit (loss)		100,808,066	107,098,783
Income taxes for the period		5,804,087	(5,732,161)
Income for dividends receipt		(132,947,008)	(133,327,104)
Amortization		392,120	560,969
Net change in provisions and other non-cash items		(1,355,653)	3,064,873
Cash flow absorbed by current operations (A)		**(27,298,388)**	**(28,334,640)**
Change in assets and liabilities for the period:			
Trade receivables		51,726	2,147,191
Trade payables		1,735,663	1,520,107
Other changes in net working capital		4,708,928	5,377,629
Payment of income taxes		-	(917,747)
Cash flow generated by changes in working capital (B)		**6,496,317**	**8,127,180**
Cash flow absorbed by current operations and changes in working capital (A+B)		**(20,802,071)**	**(20,207,460)**
Investment activities:			
Investments in intangible assets		-	(124,429)
Investments in tangible assets		-	(136,086)
Other cash flow from tangible assets		-	16,393
Dividends receipt		132,947,008	139,727,104
Cash flow generated by investment activities (C)		**132,947,008**	**139,482,982**
Cash flow by operating activities (A+B+C)		**112,144,937**	**119,275,522**
Exercise of stock option		3,353,361	7,110,006
Dividends paid		(124,636,775)	(80,671,312)
New loans		200,000,000	450,000,000
Payment of interests on loans		(6,333,818)	(3,797,558)
Repayment of loans and other net changes in source of finance		(202,524,493)	(471,493,173)
Cash flow absorbed by changes in net equity and by financing activities (D)		**(130,141,725)**	**(98,852,037)**
Cash flow for the period (A+B+C+D)		**(17,996,788)**	**20,423,485**
Opening cash and cash equivalents	*18*	**20,466,996**	**43,511**
Increase (decrease) in cash and cash equivalents (A+B+C+D)		(17,996,788)	20,423,485
Closing cash and cash equivalents	*18*	**2,470,208**	**20,466,996**

For the sake of providing a more accurate representation, the classification of net investments in leasing was revised as of 2022 and the figures for 2021 were, therefore, reclassified accordingly.

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

(Amounts in Euro)	Share capital	Share premium reserve	Legal reserve	Extarordinary reserve	Treasury share reserve	Fair value and cash flow hedge reserve	Stock option reserve	Actuarial evaluation reserve	Profit (loss) carried forward	Profit (loss) for the period	Total
Balance at 31 December 2020	**225,822,846**	**25,837,525**	**44,850,000**	**180,542,363**	**(14,533,855)**	**(924,995)**	**6,784,401**	**(113,310)**	**10,441,324**	**88,710,388**	**567,416,687**
Allocation of 2020 result as per AGM resolution of 21 April 2021											
- distribution of dividends										(80,821,552)	(80,821,552)
- allocation to reserves			317,569	7,571,267						(7,888,836)	-
Fair value stock option							3,578,166				3,578,166
Exercise of stock otion	521,292	8,462,413					(1,873,700)				7,110,005
Movements from transactions with shareholders	**521,292**	**8,462,413**	**317,569**	**7,571,267**	**-**	**-**	**1,704,466**	**-**	**-**	**(88,710,388)**	**(70,133,381)**
Profit (loss) after taxes										107,098,783	107,098,783
Other components of comprehensive income						1,018,505		(21,109)			997,396
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**1,018,505**	**-**	**(21,109)**	**-**	**107,098,783**	**108,096,179**
Balance at 31 December 2021	**226,344,138**	**34,299,938**	**45,167,569**	**188,113,630**	**(14,533,855)**	**93,510**	**8,488,867**	**(134,419)**	**10,441,324**	**107,098,783**	**605,379,485**
Balance at 31 December 2021	**226,344,138**	**34,299,938**	**45,167,569**	**188,113,630**	**(14,533,855)**	**93,510**	**8,488,867**	**(134,419)**	**10,441,324**	**107,098,783**	**605,379,485**
Allocation of 2021 result as per AGM resolution of 20 April 2022											
- distribution of dividends				(17,503,092)						(106,997,524)	(124,500,616)
- allocation to reserves			101,259							(101,259)	-
Fair value stock option							867,408				867,408
Exercise/cancellation of stock option	245,862	3,967,819		2,122,890			(2,983,210)				3,353,361
Movements from transactions with shareholders	**245,862**	**3,967,819**	**101,259**	**(15,380,202)**	**-**	**-**	**(2,115,802)**	**-**	**-**	**(107,098,783)**	**(120,279,847)**
Profit (loss) after taxes										100,808,066	100,808,066
Other components of comprehensive income						2,583,853		39,038			2,622,891
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**2,583,853**	**-**	**39,038**	**-**	**100,808,066**	**103,430,957**
Balance at 31 December 2022	**226,590,000**	**38,267,757**	**45,268,828**	**172,733,428**	**(14,533,855)**	**2,677,363**	**6,373,065**	**(95,381)**	**10,441,324**	**100,808,066**	**588,530,595**

Separate annual report and financial statements

Explanatory notes

Explanatory notes

Company business

De' Longhi S.p.A., a company with its registered office in Treviso whose shares are listed on the Euronext Milan run by Borsa Italiana, is the parent company of the De' Longhi Group and performs holding company activities involving the management and supply of centralized services to its subsidiaries and the management of subsidiary undertakings.

Accounting standards

The financial statements of De' Longhi S.p.A. at 31 December 2022 have been prepared on the basis of the international accounting and financial reporting standards issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, as endorsed by the European Commission (at the date of 31 December 2022), pursuant to EC Regulation 1606 of 19 July 2002. The following documents have been used for interpretation and application purposes even though not endorsed by the European Commission:

- Framework for the Preparation and Presentation of Financial Statements (issued by the IASB in 2001);
- Implementation Guidance, Basis for Conclusions, IFRIC and other documents issued by the IASB or IFRIC to complement the accounting standards;
- Interpretations published by the Italian Accounting Board relating to how to apply IAS/IFRS in Italy.

The accounting policies and measurement bases used for preparing the financial statements at 31 December 2022 are the same as those used for preparing the financial statements at 31 December 2021; the new amendments and accounting standards, described below, had no significant impacts on the present financial statements.

The financial statements at 31 December 2022 comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in net equity and these explanatory notes.

The statement of financial position has been prepared on a basis that distinguishes between current and non-current items.

The income statement has been presented on the basis of the nature of expense, being a suitable structure for faithfully representing the Company's performance.

The statement of cash flows has been prepared using the "indirect method" allowed by IAS 7.

The present financial statements and notes are presented in Euro (the Company's functional currency) with all amounts in financial statements presented in Euro, as required by the Italian Civil Code, while amounts in explanatory notes are rounded to thousands of Euro, unless otherwise indicated.

The financial statements have been prepared in accordance with the historic cost principle, adjusted as needed for the valuation of a few financial instruments and under the assumption of going concern.

Despite the considerable uncertainty stemming from the unpredictability as to the potential impact that the conflict in Ukraine and the inflationary pressures might have, in light of its financial solidity, the actions undertaken to mitigate risk and its business model, the Company believes that there are no elements which could compromise the business as a going concern as per paragraph 25 of IAS 1.

The risks and uncertainties relating to the business are described in a specific section of the Report on operations. The methods used by the company to manage financial risks are described in note *32. Risk management* of the present Explanatory notes.

International accounting standards adopted by the Company for the first time

On 14 May 2020 IASB published amendments, effective as of 1 January 2022, relating to several standards, namely Amendments to IFRS 3 - *Business Combinations*, Amendments to IAS 16 - *Property, Plant and Equipment*, Amendments to IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*.

As part of the annual improvements, changes were also made to IFRS 1 - *First-time Adoption of International Financial Reporting Standards*, IFRS 9 - *Financial Instruments*, IAS 41 - *Agriculture* and the illustrative examples accompanying IFRS 16 - *Leases*.

The application of the above amendments did not have a material impact on the Company's financial statement.

International financial reporting standards and/or not yet applicable

A few new standards and amendments to existing standards will be applicable for the first time as of 1 January 2023; a summary of the main changes is provided below.

With Regulation 2036/2021 of 19 November 2021 the European Commission adopted IFRS 17 - Insurance contracts which will substitute the current IFRS 4. The new standard establishes rules for the recognition, measurement, presentation and disclosure of insurance contracts; it will be applied to all insurance contracts using an accounting model based on the discounted cash flow method, adjusted for risk, and a Contractual Service Margin (CSM).

Subsequently, Regulation 1491/2022 of 8 September 2022 amended the previous temporary provisions, allowing companies to restate any classification overlay in the comparative information which might emerge upon initial application.

With Regulation 357/2022 of 2 March 2022, the European Commission adopted a few amendments to IAS 1 - Presentation of financial statement and to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors in order to improve the disclosure of accounting policies and provide investors and other primary users of the financial statements with more useful information, as well as help companies to distinguish the changes in accounting estimates from the changes in accounting policy.

In Regulation 1392/2022 of 11 August 2022, the European Commission introduced amendments to *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12* in order to clarify the accounting of deferred tax recognized in particular circumstances such as, for example, in the case of leasing and decommissioning.

Disclosure by operating segments

Segment information is reported only with reference to the consolidated financial statements, as allowed by IFRS 8.

Principal accounting policies

Intangible assets

Other intangible assets

Other intangible assets purchased or internally generated are recognized as assets in accordance with IAS 38 Intangible assets, when it is probable that the future economic benefits attributable to their use will flow to the company and when the cost of the asset can be reliably measured.

These assets are valued at purchase or production cost and amortized, if they have a finite life, on a straight-line basis over their useful life, generally estimated in 4 years.

Property, plant and equipment

Land, property, plant and machinery

Property, plant and equipment owned by the Company are recorded at purchase or production cost and systematically depreciated over their residual useful lives.

The cost of assets qualifying for capitalization also includes the borrowing costs directly attributable to the acquisition, construction or production of the asset itself.

Subsequent expenditure is capitalized only if it increases the future economic benefits flowing to the enterprise.

Ordinary and/or routine maintenance and repair costs are directly expensed to the income statement when incurred. Costs relating to the expansion, modernization or improvement of owned or leased assets are capitalized to the extent that they qualify for separate classification as an asset or part of an asset under the component approach, whereby every component whose useful life and related value can be autonomously assessed must be treated individually.

All other costs are expensed to income as incurred.

The useful lives, estimated by the Company for its various categories of property, plant and equipment, are as follows:

Industrial and commercial equipment	1 year
Other	4 - 8 years

Right-of-use assets

In accordance with IFRS 16 the right-of-use asset is valued at cost plus the present value of future payments (discounted at the incremental borrowing rate, namely the interest rate that the lessee must pay over the term of the loan and similar guarantees), the initial costs incurred directly by the lessee, and any advance lease payments made. The asset value is systematically depreciated.

Impairment of non-financial assets

The Company tests, at least once a year, whether the book value of intangible assets and property, plant and equipment reported in the financial statements has suffered any impairment loss. If there is evidence of impairment, book value is written down to the related recoverable amount.

If it is not possible to estimate the recoverable amount of an individual asset, the Company assesses whether the cash-generating unit to which it belongs is impaired.

Financial instruments

Financial assets

Upon initial recognition, financial assets are classified based on the measurement methods used in one of the three categories found in IFRS 9. The classification depends on the nature of the contractual cash flows and the business model the company uses to manage them.

The business model refers to the way in which the cash flows are generated which can be from the collection of contractual cash flows, the sale of assets or both.

A financial asset is classified among the assets valued at amortized cost if held as part of a business model where the objective is collecting contractual cash flows represented solely by payments to be made on certain dates, principal and interest. The valuation is made based on the effective interest rate.

A financial asset is classified among the assets valued at fair value with changes passing through the comprehensive income statement if held as part of a business model where the objective is collecting contractual cash flows and selling the assets and the cash flows contemplated under the contract refer solely to payments of principal and interest made on predetermined dates. For the assets included in this category, the interest receivable, the foreign exchange differences and losses in value are recognized in the income statement for the reporting period; other changes in fair value are recognized in the comprehensive income statement. Upon elimination, the cumulative change in fair value recognized as other comprehensive income is released to the income statement.

During the initial recognition phase, equity instruments may be included in the category of assets measured at fair value with changes recognized in the comprehensive income statement.

The category of assets valued at fair value with changes recognized in the income statement include assets held for trading, namely acquired to be sold in the short-term, and the assets designated as such.

Upon initial recognition, equity instruments not held for trading may be included in the category of financial instruments measured at fair value with changes recognized in the comprehensive income statement. This choice may be made for each asset and is irrevocable.

The trade receivables without a significant financing component are valued at the transaction price determined in accordance with IFRS 15.

Financial liabilities

Financial liabilities refer mainly to loans valued at amortized cost based on the effective interest rate. Financial liabilities are derecognized when the underlying obligation is extinguished, cancelled or fulfilled.

Lease liabilities

Lease liabilities equal the present value of the payments payable and not yet paid at the date of the financial statements discounted at the interest rate implicit in the lease, if easily determined, or alternatively, at the incremental borrowing rate which is the rate that the lessee would pay on a loan with a similar duration and conditions. In the event the lease term, purchase options, the residual value guaranteed, or variable payments based on indices or rates, are redetermined, the lease liability is restated.

Derivatives

Derivatives are used solely for hedging purposes, in order to reduce exposures to currency and interest rate risk. As allowed by IFRS 9, derivatives may qualify for special hedge accounting only when, at the inception of the hedge, the following conditions are satisfied:

- there is a formal designation that the instrument is a hedging one;
- there is formal documentation of the hedging relationship, which is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the different financial reporting periods for which it was designated.

In accordance with IFRS 9, all derivatives are measured at fair value.

If financial instruments qualify for hedge accounting, the following treatment applies:

Fair value hedge - If a derivative instrument is designated as a hedge of the exposure to changes in the fair value of a recognized asset or liability that is attributable to a particular risk that will affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value should be recognized in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the income statement.

Cash flow hedge - If a derivative instrument is designated as a hedge of the exposure to variability in cash flows attributable to a highly probable forecast transaction which could affect profit or loss, the effective portion of the gains or losses on the hedging instrument is recognized directly in the statement of comprehensive income. The effective portion of the cumulative gains or losses are reversed from net equity and reclassified to profit or loss in the same period in which the hedged transaction is reported in the income statement. Gains or losses associated with a hedge or part thereof that has become ineffective are reclassified to the income statement. If a hedging instrument or hedging relationship is terminated, but the transaction being hedged has not yet occurred, the cumulative gains and losses, recorded up until then in the statement of comprehensive income, are reported in the income statement at the same time that the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the unrealized gains or losses reported directly in net equity are immediately reclassified to the income statement.

If hedge accounting cannot be applied, the gains or losses arising from the fair value measurement of the derivatives are transferred immediately to the income statement.

Net investment hedge - Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in the statement of comprehensive income, while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Employee benefit

Pension and other incentive plans

Net obligations relating to employee benefit plans, chiefly the provision for severance indemnities (for the portion retained in the company) and pension funds, are recorded at the expected future value of the benefits that will be received and which have accrued at the reporting date. The Company's obligation to finance defined benefit pension funds and the annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method.

Equity based compensation

The Company grants additional benefits to the Chief Executive Officer, a limited number of executives and key resources under the form of stock options. Based on IFRS 2 Share-based payment, the current value of the stock option determined on the grant date is recognized on a straight-line basis in the income statement as a payroll cost in the period between the grant date and the date on which the rights granted to employees, executives and others who routinely provide services to one or more Group companies parties fully vest, with a corresponding increase in equity.

At each reporting date the Company will revise estimates based on the number of options that are expected to vest, independent of the fair value of the options. Any differences with respect to the original estimates will be recognized in the income statement with a corresponding increase in equity.

Once the stock option is exercised, the amounts received by the employee, net of transactions costs, will be added to the share capital in the amount of the nominal value of the shares issues. The remainder will be recognized in the share premium reserve.

The fair value of the stock options is determined using the Black-Scholes model which takes into account the conditions for the exercise of the right, the current share price, expected volatility, a risk free interest rate, as well as the non-vesting conditions.

The fair value of the stock options is included within the Stock option Reserve.

Provisions for contingencies and other charges

The Company recognizes provisions for contingencies and charges when (i) it has a present obligation (legal or constructive) to third parties (ii) it is probable that the company will need to employ resources to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation. Changes in these estimates are reflected in the income statement in the period in which they occur (also see the comments in the paragraph on "Estimates and assumptions").

Where the effect of the time value of money is material and the date of extinguishing the liability can be reasonably estimated, provisions are stated at the present value of the expected expenditure, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

An increase in the amount of the provision for the time value of money is accounted for in interest expense. Contingencies for which the probability of a liability is remote are disclosed in the notes but no provision is recognized.

Recognition of revenues

The item "Revenues" includes the consideration received for services rendered.

Revenues represent the consideration owed in exchange for the transfer of services to the customer, excluding amounts received on behalf of third parties. The Company recognizes the revenue when contractual obligations are fulfilled, namely when control of the service is transferred to the customer.

Based on the five-step model introduced in IFRS 15, the Company recognizes revenue after the following requirements have been met:

- **a.** the parties have approved the contract (in writing, orally or in accordance with other common commercial practices) and are committed to fulfilling the respective performance obligations; an agreement between the parties which creates rights and obligations regardless of the form of the agreement has, therefore, been created;
- **b.** the rights of each of the parties in relation to the services to be transferred can be identified;
- **c.** the payment terms for the goods or services to be transferred can be identified;
- **d.** the contract has commercial substance;
- **e.** it is probable that the Company will receive the consideration to which it is entitled in exchange for the services transferred to the customer.

If the consideration referred to in the contract has a variable component, the Company will estimate the amount of the consideration it will be entitled to in exchange for the services transferred to the customer.

Costs and expenses

Costs and expenses are accounted for on an accrual basis.

Dividends

Dividend distributions represent a movement in net equity in the period in which they are declared by the shareholders in general meeting.

Dividends received are reported when the Company is entitled to receive the payment.

Income taxes

Income taxes include all the taxes calculated on the Company's taxable income. Income taxes are recorded in the income statement, except for those relating to items directly debited or credited to net equity, in which case the associated tax is recognized directly in net equity.

Deferred taxes are provided on the basis of global provision for the liability. They are calculated on all the temporary differences emerging between the tax base of an asset or liability and their book value, except for differences arising from investments in subsidiaries which are not expected to reverse in the foreseeable future. Deferred tax assets on the carry forward of unused tax losses and tax credits are recognized to the extent that it is probable that future taxable profit will be available against which these can be recovered. Current and deferred tax assets and liabilities may be offset when the income taxes are charged by the same tax authority and when there is a legal right of set-off.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability settled.

Deferred taxes on reserves of distributable earnings in subsidiaries are recognized only if it is probable that such reserves will be distributed.

Any uncertainty regarding tax treatments is considered in the tax calculation in accordance with the recommendations of IFRIC 23 Uncertainty over Income Tax Treatments.

Estimates and assumptions

These financial statements, prepared in accordance with IFRS, contain estimates and assumptions made by the Company relating to assets and liabilities, costs, revenues and contingent liabilities at the reporting date. These estimates are based on past experience and assumptions considered to be reasonable and realistic, based on the information available at the time of making the estimate.

The assumptions relating to these estimates are periodically reviewed and the related effects reflected in the income statement in the same period; actual results could therefore differ from these estimates.

The following paragraphs discuss the principal assumptions used for estimation purposes and the principal sources of uncertainty, that have a risk of causing material adjustment to the book value of assets and liabilities in the future; details of book value can be found in the individual explanatory notes.

Employee benefits

The cost of defined benefit pension plans is determined using actuarial valuations, based on statistical assumptions regarding discount rates, expected returns on investments, future salary growth and mortality rates.

The Company believes the rates estimated by its actuaries to be reasonable for the year-end valuations, but cannot rule out that large future changes in rates could have a material impact on the liabilities recognized in the financial statements.

Recoverability of deferred tax assets

Deferred tax assets could include those relating to carry forward tax losses to the extent that there is likely to be sufficient future taxable profit against which such losses can be recovered.

Management must use their discretion when determining the amount of deferred tax assets for recognition in the financial statements. They must estimate the likely timing of reversal and the amount of future taxable profit, as well as the future tax planning strategy.

Provisions for contingencies

The company makes several provisions against disputes or risks of various kinds relating to different matters falling under the jurisdiction of different countries. The determination, probability and quantification of these liabilities involve estimation processes that are often very complex, for which management uses all the available information at the date of preparing the financial statements, including with the support of legal and tax advisors.

Comments on the income statement

1. Revenues

These are analyzed as follows:

	2022	2021	Change
Out-of-period gains	38	9	29
Damages reimbursed	2	9	(7)
Gain on fixed assets disposal	-	16	(16)
Other income	12,628	14,513	(1,885)
Total	**12,668**	**14,547**	**(1,879)**

"Other income" includes €12,573 thousand in revenue from related parties, as reported in Appendix 4.

These revenues refer primarily to costs charged back to subsidiaries for services rendered.

2. Raw and ancillary materials, consumables and goods

These are analyzed as follows:

	2022	2021	Change
Other purchases	67	51	16
Total	**67**	**51**	**16**

3. Payroll costs

The figures relating to the provisions made by the Company relative to severance and long-term benefits are summarized in note *26. Employee benefits*.

This item includes the fair value of the stock option plan which amounted to €867 thousand in the reporting period (€3,578 thousand at 31 December 2021); please refer to note *20. Stock option plans* for more information.

4. Services and other operating expenses

These are analyzed as follows:

	2022	2021	Change
Insurance	4,072	2,784	1,288
Directors' emoluments	3,523	5,004	(1,481)
Consulting services	3,004	6,050	(3,046)
Global marketing costs	2,629	2,920	(291)
Travel and entertaining	216	267	(51)
Statutory auditors' emoluments	161	144	17
Rentals and leasing	108	117	(9)
Telecommunication costs	33	32	1
Advertising and promotional activities	6	6	-
Other sundry services	4,628	3,331	1,297
Total services	**18,380**	**20,655**	**(2,275)**
Sundry taxes	275	134	141
Other	187	186	1
Total other operating expenses	**462**	**320**	**142**
Total services and other operating expenses	**18,842**	**20,975**	**(2,133)**

"Cost of services" includes the costs incurred by the Company to carry out its activities as a holding company and a few centralized costs shared by several Group companies that are subsequently charged back to the subsidiaries.

"Rentals and leasing" includes the operating costs for contracts that are not or do not contain leases (€96 thousand; €102 thousand at 31 December 2021), as well as the costs for leases of less than twelve months (€12 thousand; €15 thousand at 31 December 2021); for more information, please refer to note *10. Leases*.

"Services and other operating expenses" include €2,604 thousand in costs from related parties, as reported in Appendix 4.

5. Amortization

These are analyzed as follows:

	2022	2021	Change
Amortization of intangible assets	37	232	(195)
Depreciation of property, plant and equipment	51	34	17
Depreciation of right of use assets	304	295	9
Total	**392**	**561**	**(169)**

For further information on amortization and depreciation, please see the tables showing changes in intangible assets, property, plant and equipment, and leases.

6. Financial income (expenses)

Net financial income and expenses are broken down as follows:

	2022	2021	Change
Dividends	132,947	133,327	(380)
Financial income (expenses) from equity investments	**132,947**	**133,327**	**(380)**
Gains (losses) on currency hedging transactions	42	10	32
Exchange gains (losses)	(41)	(48)	7
Exchange gains (losses)	**1**	**(38)**	**39**
Interest income from loans	3,517	808	2,709
Bank interest income	4	3	1
Financial income	**3,521**	**811**	**2,710**
Interest expenses on long-term loans and borrowings	(11,418)	(1,774)	(9,644)
Interest expenses on bonds	(3,747)	(3,628)	(119)
Interest expenses on short-term loans and borrowings	(5)	(1)	(4)
Financial expenses	**(15,170)**	**(5,403)**	**(9,767)**
Interest for leasing	(11)	(13)	2
Other sundry income (expenses)	(195)	(622)	427
Other financial income (expenses)	**(206)**	**(635)**	**429**
Financial income (expenses)	**121,093**	**128,062**	**(6,969)**

"Financial income (expenses)" includes €136,452 thousand in income from related parties, as reported in Appendix 4.

Dividends relate primarily to amounts declared by the subsidiaries De' Longhi Appliances S.r.l., De' Longhi Kenwood Gmbh and E-Services S.r.l..

The interest payable on loans includes the interest on the Company's financial debt (recalculated using the amortized cost method based on which interest expense was recognized before the actual payment).

For more information on leases, please see note *10. Leases*.

7. Income taxes

These are analyzed as follows:

	2022	2021	Change
Current tax assets	5,470	5,902	(432)
Advanced (deferred) taxes	(11,274)	(170)	(11,104)
Total	**(5,804)**	**5,732**	**(11,536)**

The Company exercised, jointly with the consolidator De Longhi Industrial S.A., the option to adhere to "Domestic Tax Consolidation", as permitted under articles 117 et seq of Presidential Decree n. 917/86 for the three-year period 2022-2024.

"Deferred income tax liabilities (assets)" report the taxes calculated on the temporary differences arising between the carrying amount of assets and liabilities and the corresponding tax base, and the distributable earnings of subsidiaries. The item also includes the benefit from losses carried forward for tax purposes which may be considered taxable income in the future, as well as the deferred liabilities recognized for €9.8 million stemming from the possible release of distributable profit reserves of a few Group companies in accordance with Law 197/2022.

More information on deferred taxes can be found in note *25. Deferred tax liabilities*.

The actual and theoretical tax charge are reconciled as follows:

	2022	%	2021	%
Profit before taxes	106,612	100.0%	101,367	100.0%
Theoretical taxes	(25,586)	(24.0%)	(24,328)	(24.0%)
Permanent tax differences (dividends, net of disallowable costs) and other effects	19,782	18.6%	30,060	29.7%
Actual taxes	**(5,804)**	**(5.4%)**	**5,732**	**5.7%**

Comments on the statement of financial position: assets

Non-current assets

8. Intangible assets

These are analyzed as follows:

	31.12.2022		31.12.2021		
	Gross	Net	Gross	Net	Change
Patents	2,244	65	2,244	102	(37)
Total	**2,244**	**65**	**2,244**	**102**	**(37)**

The following table reports movements during 2022:

	Patents
Net opening balance	**102**
Amortization	(37)
Net closing balance	**65**

9. Other tangible assets

These are analyzed as follows:

	31.12.2022		31.12.2021		
	Gross	Net	Gross	Net	Change
Industrial and commercial equipment	19	-	19	-	-
Other	246	111	246	162	(51)
Total	**265**	**111**	**265**	**162**	**(51)**

The following table reports movements during 2022:

	Other
Net opening balance	**162**
Depreciation	(51)
Net closing balance	**111**

10. Leases

The Company's current leases refer primarily to property and automobiles leased for operational purposes.

The right-of-use recognized for leased goods and the changes in 2022 are detailed below:

	Land and buildings	Other	Total
Net opening balance	**889**	**145**	**1,034**
Additions	154	123	277
Disposals	(11)	-	(11)
Depreciation	(216)	(88)	(304)
Net closing balance	**816**	**180**	**996**

In 2022, subsequent to the application of the IFRS 16 Leases, €304 thousand of depreciation were recognized in the income statement and €11 thousand of interest payable and while € 318 thousand of costs represented by the lease payments made were eliminated.

Financial liabilities for leases amounting to €998 thousand (of which €304 thousand expiring beyond 12 months) were recognized at 31 December 2022.

The financial liabilities for leases include amounts owed associates of €720 thousand (of which €202 thousand expiring beyond 12 months) as shown in Appendix 4.

The maturities of the undiscounted lease liabilities are shown below:

	Undiscounted flows at 31.12.2022	Payable in one year	Payable in 1-5 years	Payable in more than five years
Lease payables	1,020	315	705	-

11. Equity investments

These are analyzed as follows:

	31.12.2022	31.12.2021	Change
De Longhi Benelux S.A.	266,737	266,737	-
De' Longhi Appliances S.r.l.	242,678	242,678	-
De'Longhi Deutschland GmbH	40,800	40,800	-
De' Longhi Capital Services S.r.l.	6,005	6,005	-
E-Services S.r.l.	5,264	5,264	-
De'Longhi Romania S.r.l.	3,078	3,078	-
De'Longhi Kenwood GmbH	2,900	2,900	-
Clim.Re S.A.	54	54	-
De'Longhi Polska Sp.Zo.o.	-	-	-
Total	**567,516**	**567,516**	**-**

The list of equity investments is summarized in Appendix 3. No movements occurred during the year.

Equity investments in subsidiaries are recognized at the acquisition or formation cost.

The impairment test carried out has not revealed any significant evidence that equity investments are impaired.

12. Non-current receivables

This balance is analyzed as follows:

	31.12.2022	31.12.2021	Change
Receivables from subsidiary companies	95	109	(14)
Security deposits	5	3	2
Total	**100**	**112**	**(12)**

Appendix 4 contains details of "Receivables from subsidiary companies".

13. Other non-current financial assets

Details are as follows:

	31.12.2022	31.12.2021	Change
Fair value of derivatives	2,020	316	1,704
Total	**2,020**	**316**	**1,704**

More details on the fair value of derivatives can be found in note *32. Risk management*.

Current assets

14. Trade receivables

These are analyzed as follows:

	31.12.2022	31.12.2021	Change
Trade receivables due within 12 months	1,219	1,271	(52)
Allowance for bad debts	-	-	-
Total	**1,219**	**1,271**	**(52)**

"Trade receivables" include €1,161 thousand in receivables from related parties, as reported in Appendix 4.

Trade receivables do not include any amounts due beyond 12 months.

15. Current tax assets

These are detailed as follows:

	31.12.2022	31.12.2021	Change
Direct taxes	483	796	(313)
Total	**483**	**796**	**(313)**

In 2022 the Company exercised the option to adhere to "Domestic Tax Consolidation" as permitted under Title II Section of Presidential Decree n. 917/86, in order to optimize the financial management of relationships with the tax authorities.

16. Other receivables

These are analyzed as follows:

	31.12.2022	31.12.2021	Change
VAT receivables	547	4,751	(4,204)
Prepaid costs	133	93	40
Advances to suppliers	6	184	(178)
Employees	6	12	(6)
Other	6,921	11,062	(4,141)
Total	**7,613**	**16,102**	**(8,489)**

In 2022 the Company exercised the option to adhere to "Group VAT liquidation" pursuant to Ministerial Decree n. 13/12/1979; the item "VAT credits" reflects the relative credit.

"Other receivables" includes €5,457 thousand in amounts due from related parties, as reported in Appendix 4, relating primarily to "Domestic Tax Consolidation".

None of the other receivables is due beyond 12 months.

17. Current financial receivables and assets

These are analyzed as follows:

	31.12.2022	31.12.2021	Change
Financial receivables	860,035	885,926	(25,891)
Fair value of derivatives	1,876	-	1,876
Total	**861,911**	**885,926**	**(24,015)**

"Financial receivables" refers to receivables to the subsidiary company De' Longhi Capital Services S.r.l., relating to the cash pooling agreement.

"Current financial receivables and assets" includes amounts payable by related parties of €860,035 thousand, as reported in Appendix 4.

More details on the fair value of derivatives can be found in note *32. Risk management*.

None of the current financial receivables is due beyond 12 months.

18. Cash and cash equivalents

This balance consists of surplus liquidity on bank current accounts.

Comments on the statement of financial position: net equity and liabilities

Net equity

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

On 20 April 2022 the Shareholders' Meeting resolved to distribute a total of €124,501 thousand as dividends, of which €124,150 thousand was paid during 2022.

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

19. Treasury shares

At 31 December 2022 the Company had 895,350 treasury shares for a total of €14,534 thousand, purchased in previous years.

During the Shareholders' Meeting held on 20 April 2022, shareholders approved the renewal - after revoking the previous authorization granted by shareholders - of the authorization to purchase and sell treasury shares for up to a maximum of 14.5 million ordinary shares or for an amount which does not exceed one fifth of the share capital, including any shares held by the Company or any of its subsidiaries. The buyback program was approved, in accordance with the law, for a period of up to a maximum of 18 months (namely through 20 October 2023).

20. Stock option plans

At 31 December 2022 a share-based incentive plan approved during De' Longhi S.p.A.'s Annual General Meeting held on 22 April 2020, the "Stock Option Plan 2020-2027", was in place.

In the face of the plan, the Shareholders' Meeting decided on a further increase in the share capital of nominal maximums Euro 4,500,000 to be carried out through the 3,000,000 ordinary shares, with a nominal value of Euro 1.5 each having the same characteristics as ordinary shares outstanding on the date of issue, with regular enjoyment, intended, if the shares in the portfolio do not were capacious.

The aim of the plan is to encourage the loyalty of the beneficiaries, encouraging their stay in the Group, linking their remuneration to the implementation of the company strategy in the medium to long term.

The overall duration of the plan is about 8 years and in any case the deadline is set for 31 December 2027.

The beneficiaries were identified by the Board of Directors based on the proposal of the Remuneration and Appointments Committee or the Chief Executive Officer, after having consulted with the Board of Statutory Auditors.

The options are granted free of charge: the beneficiaries, therefore, will not be expected to pay any sort of consideration upon assignment. Conversely, exercise of the option and the resulting subscription of the shares will be subject to payment of the exercise price.

Each option grants the right to subscribe one share at the conditions set out in the relative regulations.

The exercise price shall be equal to the arithmetic average of the official market price of the Company's shares recorded on the "Euronext Milan" managed by Borsa Italiana S.p.A. 180 calendar days prior to the date on which the 2020-2027 Plan and the relative regulations were approved by shareholders during the Annual General Meeting. This period of time is sufficient to limit the impact that any volatility caused by the Coronavirus crisis could have on the stock price.

The options may be exercised by the Beneficiaries - on one or more occasions - solely and exclusively during the exercise period, namely during the following timeframes:

- between 15 May 2023 and 31 December 2027 for up to a total maximum amount equal to 50% of the total options assigned each beneficiary, without prejudice to the black-out periods referred to in Art. 12 of the Regulations;
- between 15 May 2024 and 31 December 2027 for the remaining 50% of the total options assigned each beneficiary, without prejudice to the black-out periods referred to in Art. 12 of the Regulations.

Any option not exercised by the end of the exercise period will be automatically expire and the beneficiary will have no right to any compensation or indemnity.

All shares will have regular dividend rights and, therefore, will be the same as all other shares outstanding at their issue date, and will be freely transferrable by the beneficiary.

Please refer to the *Annual Report on the Remuneration Policy and Compensation Paid* for more information on the Plan.

At 31 December 2021 stock options on 2,360,000 shares had been assigned; during the year the total fell to 1,560,000 shares following the resignation of the Chief Executive Officer.

For the purposes of valuation under IFRS 2 - Share-based payments, two different tranches were defined for each award which contain the same number of options broken down equally into the plan's two exercise periods. The fair value of each tranche is different.

The fair value of the stock options at the assignment date is determined using the Black-Scholes model which takes into account the conditions for the exercise of the right, the current share price, expected volatility, a risk-free interest rate, as well as the non-vesting conditions.

Volatility is estimated based on the data of a market information provider and corresponds to the estimated volatility of the stock over the life of the plan.

The fair value of the options assigned on the date of this Report and the assumptions made for its evaluation are as follows:

	Award (05.04.2020)	Award (05.14.2020)	Award (05.15.2020)	Award (05.20.2020)	Award (11.05.2020)
First tranche fair value	4.4283	4.591	4.4598	4.4637	12.402
Second tranche fair value	4.3798	4.536	4.4034	4.4049	12.0305
Expected dividends (Euro)	2.80%	2.80%	2.80%	2.80%	2.80%
Estimated volatility (%)	35.00%	34.00%	33.00%	32.00%	28.00%
Historic volatility (%)	37.00%	37.00%	37.00%	37.00%	37.00%
Market interest rate	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)
Expected life of the options (years)	7.7	7.7	7.7	7.7	7.7
Exercise price (Euro)	16.982	16.982	16.982	16.982	16.982

The 7-year share-based incentive plan "Stock Option Plan 2016-2022", approved during the Shareholders' Meeting held on 14 April 2016, expired on 31 December 2022. For more information on the plan's characteristics refer to the Annual Report 2021.

A total of 1,560,000 options were exercised under this plan, of which 1,396,092 in previous years. The options assigned, but not exercised by the expiration date, lapsed and the beneficiary is not entitled to any indemnity or damages of any kind as per the Regulations. The relative reserve was, consequently, transferred to the Extraordinary Reserve.

21. Share capital

At 31 December 2021 share capital comprised 150,896,092 ordinary shares with a par value €1.5 each, for a total of €226,344 thousand.

In 2022, 163,908 options assigned under the "Stock Option Plan 2016-2022" were exercised at an exercise price of €20.4588, and consequently, the same number of ordinary shares with a par value of €1.5 each were subscribed.

The share capital at 31 December 2022, therefore, comprised 151,060,000 ordinary shares with a par value of €1.5 for a total of €226,590 thousand.

22. Reserves

These are analyzed as follows:

	31.12.2022	31.12.2021	Change
Share premium reserve	38,268	34,300	3,968
Legal reserve	45,269	45,168	101
Other reserves:			
- Extraordinary reserve	172,734	188,114	(15,380)
- Fair value and cash flow hedge reserve	2,677	93	2,584
- Stock option reserve	6,373	8,489	(2,116)
- Reserve for treasury shares	(14,534)	(14,534)	-
- Actuarial evaluation reserve	(95)	(134)	39
- Profit (loss) carried forward	10,441	10,441	-
Total	**261,133**	**271,937**	**(10,804)**

The "Share premium reserve" was set up following the public offering at the time of the parent company's listing on the Milan stock exchange, today, Euronext, on 23 July 2001 which was subsequently reduced following the demerger transaction in favour of DeLclima S.p.A.. It amounted to €34,300 thousand at 31 December 2021 following the exercise of options assigned under the "Stock Option Plan 2016-2022". In 2022 the reserve was increased by €38,268 thousand following further exercise of stock options under the same plan of €3,968 thousand.

The "Legal Reserve" amounted to €45,168 thousand at 31 December 2021. The increase of €101 thousand follows the allocation of profit for 2021, as approved by the AGM on 20 April 2022.

The Extraordinary Reserve decreased by €15,380 thousand explained by the payment of the dividend approved by shareholders during the above mentioned AGM for €17,503 thousand, net the increase of €2,123 thousand stemming from the elimination of the options assigned under the "Stock Option Plan 2016-2022" which were not exercised by the deadline.

The "Fair value and cash flow hedge reserve" reports a balance of €2,677 thousand, net of €845 thousand in tax. This amount reflects the fair value of the cash flow hedge derivatives.

More details on the fair value of derivatives can be found in note *32. Risk management*.

The "Stock Option Reserve" at 31 December 2022 refers to the share-based incentive plan "Stock Option Plan 2020-2027" already described in note *20. Stock Option Plans*.

The "Stock Option Reserve" amounted to positive €6,373 thousand which corresponds to the fair value of the options at the assignment date, recognized on a straight-line basis from the grant date through vesting. In the year €867 thousand, which represents the fair value measurement of the options net the cancellation of options due to a change in the number of beneficiaries, was allocated to the reserve.

The reserve for the "2016-2022 Stock Option Plan", which was positive for €2,983 thousand at 31 December 2021, was eliminated following the exercise of 163,908 options for a total of €860 thousand and the cancellation of the options which were not exercised by the plan's expiration date.

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

The following table provides information on the permitted distribution of reserves:

Nature / Description:	Amount	Permitted use	Available amount
Share capital	226,590 (1)		
Capital reserves:			
- Share premium reserve	38,268 (2)	A, B	
- Treasury share reserve	(14,534)		
Earnings reserves:			
- Legal reserve	45,269	B	
- Extraordinary reserve	172,734	A, B, C	158,105
- Fair value and cash flow hedge reserve	2,677		
- Stock option reserve	6,373		
- Actuarial evaluation reserve	(95)		
- Profit (loss) carried forward	10,441	A, B, C	1,866
Total	**487,723 (3)**		**159,971**

(1) There is a tax restriction over €2,853 thousand following a bonus increase in capital in 1997 using tax-suspended reserves. The restriction was updated based on the figures from the 2022 tax return.

(2) As allowed by art. 2431 of the Italian Civil Code, the full amount of this reserve may be distributed only if the legal reserve has reached the amount established by art. 2430 of the Italian Civil Code.

(3) There are tax restrictions relating to the realignment of tax and accounting values carried out in 2000 and 2005 as follows: €54,031 thousand relating to share capital, €1,256 thousand relating to the legal reserve and €18,722 thousand relating to the extraordinary reserve. The restriction was updated based on the figures from the 2022 tax return.

Key:

A: to increase share capital

B: to cover losses

C: distribution to shareholders

Liabilities

23. Bank loans and borrowings

Bank loans and borrowings are analyzed as follows:

	Within one year	One to five years	Beyond five years	Balance 31.12.2022	Within one year	One to five years	Beyond five years	Balance 31.12.2021	Change
Overdrafts	10	-	-	10	50,004	-	-	50,004	(49,994)
Long-term loans (current portion)	87,906	-	-	87,906	170,605	-	-	170,605	(82,699)
Total short-term bank loans and borrowings	**87,916**	**-**	**-**	**87,916**	**220,609**	**-**	**-**	**220,609**	**(132,693)**
Long-term loans	-	477,582	-	477,582	-	357,457	-	357,457	120,125
Total bank loans and borrowings	**87,916**	**477,582**	**-**	**565,498**	**220,609**	**357,457**	**-**	**578,066**	**(12,568)**

Despite its sound financial situation, as part of its strategy to extend the average life of its debt and create a liquidity buffer to be used to meet possible, temporary cash needs, in 2022 the Company decided to increase and diversify its financial resources by signing a few new loan agreements on 30 June 2022 (€100,000 thousand, duration of 5 years, €50,000 thousand, duration 5 years) and on 14 July 2022 (€50,000 thousand, duration 5 years) for total of €200 million.

On 30 June 2022 and 14 July 2022 the Company also negotiated a few RCFs for a total of €270 million.

The loans call for a pricing mechanism based on which the terms of the loan may be adjusted each year if certain ESG (Environmental-Social-Governance) targets are reached.

The ESG targets are part of the path already undertaken by the Group to include sustainability in its business strategy. The targets aim to combine growth with sustainable development and confirm the strong commitment to developing a model which fosters the increased integration of sustainability as strategic to creating value for all of its stakeholders.

None of the financial covenants in current loan agreements, based on the net financial debt/net equity and net financial debt/EBITDA before non-recurring/stock option costs ratios (based on the consolidated financial statements), had been breached at 31 December 2022.

Most of the bank debt is floating rate; as a result of the hedge on one of the medium/long-term loans, the floating rate debt was swapped for fixed rate debt. The fair value of the loans, calculated by discounting future interest flows at current market rates, does not differ significantly from the amount of debt recognized in the financial statements.

24. Other financial payables

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

	31.12.2022	31.12.2021	Change
Negative fair value of derivatives (short-term portion)	-	265	(265)
Private placement (short-term portion)	21,409	21,400	9
Other short-term financial payables	461	620	(159)
Total short-term payables	**21,870**	**22,285**	**(415)**
Private placement (one to five years)	85,709	85,661	48
Total long-term payables (one to five years)	**85,709**	**85,661**	**48**
Private placement (beyond five years)	150,317	171,795	(21,478)
Total long-term payables (beyond five years)	**150,317**	**171,795**	**(21,478)**
Total	**257,896**	**279,741**	**(21,845)**

The bond loan refers to the issue and placement of €150 million in unsecured, non-convertible notes with US institutional investors (the "US Private Placement") completed in 2017 and an additional €150 million placed in 2021.

In both instances the securities were issued in a single tranche. The first issue matures in 10 years, in June 2027, and has an average life of 7 years. The notes will accrue interest from the subscription date at a fixed rate of 1.65% per annum. The notes will be repaid yearly in equal instalments beginning June 2021 and ending June 2027, without prejudice to the Company's ability to repay the entire amount in advance. The second issue matures in 20 years, in April 2027, and has an average life of 15 years. The securities are unrated and are not intended to be listed on any regulated markets.

The second issue matures in 20 years, in April 2041, and has an average life of 15 years. The notes will accrue interest from the subscription date at a fixed rate of 1.18% per annum. The notes will be repaid yearly in equal instalments beginning April 2031 and ending April 2041, without prejudice to the Company's ability to repay the entire amount in advance.

Both issues are unrated and are not intended to be listed on any regulated markets.

The issues are subject to half-yearly financial covenants consistent with those applied to other loans. At 31 December 2022 the covenants based on the net financial debt/net equity and net financial debt/EBITDA before non-recurring/stock option costs ratios (based on the consolidated financial statements), had not been breached.

Neither issue is secured by collateral of any kind.

"Other short-term financial payables" refers to the €111 thousand owed the subsidiary De' Longhi Capital Services S.r.l. for financial services rendered and remaining portion of the dividends distributed, but not paid in the year, of €350 thousand.

More details on the fair value of derivatives, hedging both exchange rate and interest rate risk, can be found in note *32. Risk management*.

The balance includes €111 thousand in payables from related parties, as reported in Appendix 4.

Net financial position

Details of the net financial position are as follows:

	31.12.2022	31.12.2021	Change
A. Cash	2,470	20,467	(17,997)
B. Cash equivalents	-	-	-
C. Other current financial assets	860,035	885,926	(25,891)
of which lease prepayments	-	-	-
D. Cash, cash equivalents and other current financial assets (A + B + C)	**862,505**	**906,393**	**(43,888)**
E. Current financial liabilities	(22,185)	(72,302)	(50,117)
of which lease liabilities	*(304)*	*(277)*	*(27)*
F. Current portion of non-current financial liabilities	(87,906)	(170,604)	(82,698)
G. Current financial liabilities (E + F)	**(110,091)**	**(242,906)**	**(132,815)**
H. Current net financial liabilities (D + G)	**752,414**	**663,487**	**88,927**
I.1. Other non-current financial assets	95	109	(14)
I. Non-current financial liabilities	(478,275)	(358,218)	(120,057)
of which lease liabilities	*(693)*	*(761)*	*68*
J. Debt instruments	(236,026)	(257,456)	21,430
K. Trade payables and other non-current liabilities	-	-	-
L. Non-current net financial liabilities (I + I.1+ J + K)	**(714,206)**	**(615,565)**	**(98,641)**
M. Total financial liabilities (H + L)	**38,208**	**47,922**	**(9,714)**
Fair value of derivatives and other financial non-bank assets/liabilities	*3,896*	*51*	*3,845*
Total net financial position	**42,104**	**47,973**	**(5,869)**

Details of the net financial position are shown in accordance with CONSOB Bulletin DEM/6064293 of 28.07.2006; in order to provide a better representation, the other non-current financial assets (item K1) are shown separately; for more information refer to note *12. Non-current receivables.*

Details of financial receivables and payables with related parties are reported in Appendix 4.

For a better understanding of the changes in the net financial position, refer to the statement of cash flows, appended to these explanatory notes and the details provided in the Report on Operations.

25. Deferred tax liabilities

"Deferred tax liabilities" include the taxes calculated on temporary differences between the carrying amount of assets and liabilities and their corresponding tax base, and the distributable earnings of subsidiaries.

Details are as follows:

	31.12.2022			31.12.2021			
	Taxable amount	Tax rate	Total tax	Taxable amount	Tax rate	Total tax	Change
Provisions for contingencies and other charges	67	24.0%	16	35	24.0%	9	7
Other temporary differences	(4,089)	24.0%	(981)	(7,334)	24.0%	(1,760)	779
Total deferred tax assets recognized in the income statement	**(4,022)**		**(965)**	**(7,299)**		**(1,751)**	**786**
Reserves distributable by subsidiaries	**178,552**		**13,449**	**12,337**		**2,962**	**10,487**
Total deferred tax assets/advance tax recognized in the income statement	**174,530**		**12,484**	**5,038**		**1,211**	**11,273**
Fair value of cash flow hedge derivatives	3,523	24.0%	846	123	24.0%	29	817
Actuarial valuation of provision according to IAS 19	(126)	24.0%	(30)	(177)	24.0%	(44)	14
Total temporary differences recognized in net equity	**3,397**		**816**	**(54)**		**(15)**	**831**
Net total	**177,927**		**13,300**	**4,984**		**1,196**	**12,104**

"Reserves distributable by subsidiaries" refer to the deferred tax calculated on the accumulated reserves of subsidiaries that are potentially distributable in the future.

There are no temporary differences or carry forward tax losses for which deferred tax assets have not been recognized.

26. Employee benefits

These are analyzed as follows:

	31.12.2022	31.12.2021	Change
Provision for severance indemnities	369	513	(144)
Long term benefits	3,236	5,366	(2,130)
Total	**3,605**	**5,879**	**(2,274)**

The composition of the company's workforce is analyzed in the following table:

	31.12.2022	Average 2022	31.12.2021	Average 2021
White collars	38	41	39	36
Managers	17	17	19	19
Total	**55**	**58**	**58**	**55**

Provision for severance indemnities

The provision for severance indemnities includes amounts payable to the Company's employees and not transferred to alternative pension schemes or the pension fund set up by INPS (Italy's national social security agency). This provision has been classified as a defined benefit plan, governed as such by IAS 19 Employee benefits. Severance indemnity, as an unfunded obligation, does not have any assets servicing it.

This plan is valued on an actuarial basis to express the present value of the benefit payable at the end of service that employees have accrued at the reporting date.

Movements in the year are summarized below:

Severance indemnity obligations	31.12.2022	31.12.2021	Change
Defined benefit obligations	369	513	(144)

Net cost charged to income statement	31.12.2022	31.12.2021	Change
Interest cost on obligations	4	2	2
Total	**4**	**2**	**2**

Change in present value of obligations	31.12.2022	31.12.2021	Change
Present value at 1 January	**513**	**476**	**37**
Utilization of provision	(97)	(3)	(94)
Interest cost on obligations	4	2	2
Actuarial gain losses booked in the statement of comprehensive income	(51)	28	(79)
Other	-	10	(10)
Present value at reporting date	**369**	**513**	**(144)**

The principal assumptions used for determining the obligations under the plan described are as follows:

Assumptions used	Severance indemnity 2022	Severance indemnity 2021
Discount rate	3.7%	0.9%
Future salary increases	2.3% - 3.3%	1.5% - 2.5%
Inflation rate	2.3%	1.5%

"Other long-term benefits" includes the amount accrued in the reporting period for the 2021-2023 incentive plan. This plan was approved by the Board of Directors for a limited number of the Company's key resources; for further details please refer to the *Report on Remuneration*.

27. Trade payables

The balance of €7,600 thousand refers to amounts payable to third parties and related parties for services rendered. The amounts payable to related parties are broken down in Appendix 4.

Trade payables do not include any amounts due beyond 12 months.

28. Other payables

These are analyzed as follows:

	31.12.2022	31.12.2021	Change
Employees	2,234	3,906	(1,672)
Payables towards related parties	1,684	5,750	(4,066)
Withholdings payable	1,404	2,938	(1,534)
Social security institutions	577	1,399	(822)
Other	1,179	2,647	(1,468)
Total	**7,078**	**16,640**	**(9,562)**

The "Payables towards related parties" mostly refer to amounts owed as a result of the Company's decision to pay VAT on a group basis, under the Ministerial Decree dated 13 December 1979, as described in note *16. Other receivables*.

"Withholdings payable" relate to withholdings made by the company and payable to the tax authorities after the reporting date.

"Social security institutions" include €377 thousand in payables to Italy's principal social security agency (INPS), and €200 thousand in payables to pension funds.

Details of payables with related parties are reported in Appendix 4.

There are no other payables due beyond 12 months.

29. Commitments

These are detailed as follows:

	31.12.2022	31.12.2021	Change
Guarantees given for the benefit of:			
De' Longhi Capital Services S.r.l.	245,210	266,132	(20,922)
De'Longhi Kenwood A.P.A. Ltd.	15,096	18,181	(3,085)
NPE S.r.l. (1)	10,000	5,000	5,000
De'Longhi Romania S.r.l.	9,445	5,809	3,636
De' Longhi Appliances S.r.l.	5,133	166	4,967
De'Longhi Kenwood Korea Ltd.	1,564	1,571	(7)
De'Longhi Brasil Ltda.	759	-	759
Elle S.r.l.	400	446	(46)
De'Longhi Deutchland Gmbh	398	-	398
De'Longhi Kenwood MEIA FZE	383	360	23
DeLonghi South Africa Pty Ltd.	373	374	(1)
De'Longhi America Inc.	225	212	13
De'Longhi Japan Corp.	212	230	(18)
De Longhi Benelux S.A.	104	7	97
De'Longhi Canada Inc.	69	70	(1)
De'Longhi LLC	34	7,231	(7,197)
De'Longhi Polska Sp.Zo.o.	27	27	-
E-Services S.r.l.	11	11	-
DL Chile S.A.	7	7	-
De'Longhi Australia PTY Ltd.	-	20,611	(20,611)
De'Longhi Mexico S.a.	-	1,324	(1,324)
De'Longhi Scandinavia A.B.	-	78	(78)
Total De' Longhi Group companies and related parties	**289,450**	**327,847**	**(38,397)**

(1) This investment became a related party investment following the sale of 55% of NPE S.r.l.'s share capital by De' Longhi Appliances S.r.l. to H&T Group. These guarantees were partially revoked in 2023 as a result of the new agreement signed with the majority shareholders.

The guarantees given in the interest of Group companies and related parties refer primarily to credit lines which have been partially drawn down and to short-term loans.

In addition to the above:

- as part of its factoring of trade receivables without recourse, the total exposure for which amounted to €176,957 at 31 December 2022 (€185,181 at 31 December 2021), the Company issued a surety and a credit mandate in the interest of its subsidiaries and related parties involved;
- the Company also issued a guarantee in the interest of subsidiaries and related parties relative to currency hedging, the negative fair value of which amounted to €2,455 thousand at 31 December 2022 (positive for €4,159 at 31 December 2021);
- the Company also issued third party guarantees totalling €31 thousand.

No elements of risk as defined by IAS 37 have been noted to date.

30. Classification of financial assets and liabilities

Financial assets and liabilities are classified below in accordance with IFRS 7 using the categories identified in IFRS 9.

31.12.2022	Total value	Assets		
		Amortized cost	Fair value in Profit&Loss	Fair value in OCI
Non-current assets				
- Equity investments (*)	-	-	-	-
- Receivables	100	100	-	-
- Other non-current financial assets	2,020	-	-	2,020
Current assets				
- Trade receivables	1,219	1,219	-	-
- Current tax assets	483	483	-	-
- Other receivables	7,610	7,610	-	-
- Current financial receivables and assets	861,911	860,035	-	1,876
- Cash and cash equivalents	2,470	2,470	-	-

31.12.2022	Total value	Liabilities		
		Amortized cost	Fair value in Profit&Loss	Fair value in OCI
Non-current liabilities				
- Bank loans and borrowings (long-term portion)	(477,582)	(477,582)	-	-
- Other financial payables (long-term portion) (**)	(236,026)	(236,026)	-	-
Current liabilities				
- Trade payables	(7,600)	(7,600)	-	-
- Bank loans and borrowings (short-term portion)	(87,916)	(87,916)	-	-
- Other financial payables (short-term portion) (**)	(21,870)	(21,870)	-	-
- Current tax liabilities	-	-	-	-
- Other payables	(7,078)	(7,078)	-	-

(*) Interests in subsidiaries, associates and joint ventures are not included (IFRS 9 - 2.1 a).

(**) Lease liabilities to which IFRS 16 Leases is applied (IFRS 9 - 2.1 b) are not included.

31.12.2021		Assets		
	Total value	Amortized cost	Fair value in Profit&Loss	Fair value in OCI
Non-current assets				
- Equity investments (*)	-	-	-	-
- Receivables	112	112	-	-
- Other non-current financial assets	316	-	-	316
Current assets				
- Trade receivables	1,271	1,271	-	-
- Current tax assets	796	796	-	-
- Other receivables	16,102	16,102	-	-
- Current financial receivables and assets	885,926	885,926	-	-
- Cash and cash equivalents	20,467	20,467	-	-

31.12.2021		Liabilities		
	Total value	Amortized cost	Fair value in Profit&Loss	Fair value in OCI
Non-current liabilities				
- Bank loans and borrowings (long-term portion)	(357,457)	(357,457)	-	-
- Other financial payables (long-term portion) (**)	(257,456)	(257,456)	-	-
Current liabilities				
- Trade payables	(5,865)	(5,865)	-	-
- Bank loans and borrowings (short-term portion)	(220,609)	(220,609)	-	-
- Other financial payables (short-term portion) (**)	(22,285)	(21,845)	(4)	(261)
- Current tax liabilities	-	-	-	-
- Other payables	(16,640)	(16,640)	-	-

(*) Interests in subsidiaries, associates and joint ventures are not included (IFRS 9 - 2.1 a).

(**) Lease liabilities to which IFRS 16 Leases is applied (IFRS 9 - 2.1 b) are not included.

31. Hierarchical levels of financial instruments measured at fair value

The following table presents the hierarchical levels in which the fair value measurements of financial instruments have been classified at 31 December 2022. As required by IFRS 13, the hierarchy comprises the following levels:

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

Financial instruments measured at fair value	**Level 1**	**Level 2**	**Level 3**
Derivatives:			
- derivatives with positive fair value		*3,896*	

There were no transfers between the levels during the year.

32. Risk management

The Company is exposed to the following financial risks as part of its normal business activity:

- **credit risk**, mainly arising from the investment of surplus cash;
- **liquidity risk**, arising from the need to have adequate access to capital markets and sources of finance to fund its operations, investment activities and the settlement of financial liabilities;
- **exchange rate risk**, associated with the exposure to currencies other than the Company's functional currency;
- **interest rate risk**, relating to the cost of the Company's debt.

Credit risk

Credit risk consists of the Company's exposure to potential losses arising from failure by a counterparty to fulfil its obligations.

Trade credit risk is associated with the normal course of business and is monitored using formal procedures to assess customers and extend them credit, define credit limits, as well as monitor expected inflows, including with a view to credit collection.

Positions are written down when there is objective evidence that they will be partially or entirely uncollected, bearing in mind that a significant proportion of receivables are covered by insurance policies with major insurers.

This is not a material risk for the Company, whose principal credit exposures are to Group companies.

As far as financial credit risk is concerned, it is the Company's policy to maintain a sufficiently large portfolio of counterparties of high international repute for the purposes of satisfying its financing and hedging needs.

Liquidity risk

Liquidity risk is the risk of not having the funds needed to fulfil payment obligations arising from operating and investment activities and from the maturity of financial instruments.

The Company complies with specific group policies and procedures for the purposes of monitoring and managing this risk, including:

- centralized management of financial payables and cash, supported by reporting and information systems and, where possible, cash pooling arrangements;
- raising of medium and long-term finance on capital markets;
- diversification of the type of financing instruments used;

- obtaining of short-term credit lines such as to ensure wide room for manoeuvre for the purposes of managing working capital and cash flows;
- monitoring of current and forecast financing needs and distribution within the Group.

The Company has short and medium-term credit lines used to finance working capital and other operating needs (issuing guarantees, foreign exchange transactions, etc.), or relative to the current loan transactions described in this report.

These credit lines, along with cash flow generated by operations, are considered sufficient to satisfy the Company's annual funding requirements for working capital, investments and settlement of payables on their natural due dates.

Note *30. Classification of financial assets and liabilities* presents the book value of financial assets and liabilities, in accordance with the categories identified by IFRS 9.

The following table summarizes the due dates of financial liabilities at 31 December 2022 and at 31 December 2021 on the basis of undiscounted contractual payments.

	Undiscounted cash flows at 31.12.2022	Within one year	One to five years	Beyond five year	Undiscounted cash flows at 31.12.2021	Within one year	One to five years	Beyond five year
Bank loans and borrowings (*)	(608,305)	(101,329)	(506,976)	-	(579,378)	(221,161)	(358,217)	-
Other financial payables (**)	(285,919)	(25,251)	(95,623)	(165,045)	(311,220)	(25,763)	(97,037)	(188,420)
Trade payables	(7,600)	(7,600)	-	-	(5,865)	(5,865)	-	-
Current tax liabilities and other payables	(7,078)	(7,078)	-	-	(16,640)	(16,640)	-	-
Total	**(908,902)**	**(141,258)**	**(602,599)**	**(165,045)**	**(913,103)**	**(269,429)**	**(455,254)**	**(188,420)**

(*) The corresponding balance reported in the financial statements is €565,498 thousand at 31 December 2022 and €578,066 thousand at 31 December 2021. See note *23. Bank loans and borrowings.*

(**) The corresponding balance reported in the financial statements amounted to €257,896 thousand at 31 December 2022 (net of the fair value of derivatives of €0 thousand) and €279,476 thousand at 31 December 2021 (net of the fair value of derivatives of €265 thousand). For further details refer to note *24. Other financial payables.*

With regard to lease liabilities in accordance with IFRS 16, please refer to note *10. Leases.*

Exchange rate risk

The Company is exposed to the risk of fluctuations in currencies (other than its functional one) in which ordinary trade and financial transactions are denominated. For the purposes of protecting its income statement and statement of financial position from such fluctuations, the Company adopts a suitable hedging policy that eschews speculative ends.

Details of the policies, instruments and purpose of hedging at Group level can be found in the notes to the consolidated financial statements.

Sensitivity analysis

The potential impact, in terms of change in fair value, of a hypothetical, sudden +/-5% change in year-end exchange rates was estimated in light solely of receivables/payables in unhedged currencies insofar as the impact on the income statement of the receivables/payables in hedged currencies is mitigated or offset by the respective hedges. A +/- 5% change in year-end exchange rates of the principal exposed currencies (USD, HKD and GBP) is estimated to produce a change in fair value of around +/- €81 thousand (+/- €6 thousand at 31 December 2021). As most of the receivables/payables in question are due beyond twelve months the change in fair value would impact the income statement of the following year.

The hedging transactions at 31 December 2022 are described in the paragraph *"Interest rate and currency exchange hedges at 31 December 2022"*.

Interest rate risk

The Company is exposed to interest rate risk on floating rate loans and borrowings. This risk is managed centrally by the same team that manages currency risks.

The bonds and a part of the loan taken out in 2019, which is hedged with an Interest Rate Swap, are fixed rate, while the remainder of the Company's financial debt at 31 December 2022 was floating rate.

The purpose of interest rate risk management is to assess the mismatch between financial assets and liabilities and verify that there are no relevant gaps such that could impact the cost of funding if the yield curve were to steepen.

Sensitivity analysis

When estimating the potential impact of a hypothetical, sudden material change in interest rates (+/- 1% in market rates) on the cost of the Company's debt, only those items forming part of net financial position which earn/incur interest have been considered and not any others (meaning total net assets of €365.1 million on a total of €42.1 million in net debt at 31 December 2022 and total net assets of €540.6 million on a total of €48.0 million in net debt in 2021). In the absence of hedges, any change in interest rates would directly impact the cost of that portion of debt resulting in an increase/decrease in financial expenses.

A +/-1% change in interest rates would have an impact of +/- €3.7 million before tax at 31 December 2022 recognized entirely in the income statement (+/- €5.4 million before tax at 31 December 2021).

Thanks to the hedge in place on the relative portion of the loan, it was possible to swap the floating rate debt into fixed rate. Any change in the interest rate would, at any rate, not have impacted the income statement. In light, however, of the fact that the hedges are measured at fair value and that the portion relating to future interest flows is recognized at net equity, at 31 December 2022 a change of +/- 1% in rates would cause a change in the cash flow hedge of +/- €0.8 million before tax (+/- € 1.4 million before tax at 31 December 2021).

Please refer to the paragraph *"Interest rate and currency exchange hedges at 31 December 2022"* for more information.

Interest rate and currency exchange hedges at 31 December 2022

At 31 December 2022 the Company has only one fair value and cash flow hedge in place, while there are no hedges on the fair value of the underlying instruments.

For accounting purposes, derivatives that hedge changes in cash flow are treated in accordance with hedge accounting as called for in IFRS 9.

Derivatives that hedge foreign currency payables and receivables are recorded at fair value and recognized directly in the income statement. These instruments offset the risk on the hedged item (which is a recognized asset or liability).

The fair value of the outstanding derivatives at 31 December 2022 is provided below:

	31.12.2022 Fair value
Derivatives hedging interest rate risk (IRS)	3,896
Derivatives covering expected cash flows	**3,896**
Total fair value of the derivatives	**3,896**

IRS (Interest Rate Swap) hedging interest rate risk on loans:

The IRS are measured at fair value, using the discounted cash flow method based on the swap curve without the spread; at 31 December 2022 the derivative's fair value, pursuant IFRS 13 - Fair Value measurement, was positive for €3,896 thousand and is included in financial assets.

As the hedge on future interest flows qualifies as an effective hedge, at 31 December 2022 a positive cash flow hedge reserve of €3,523 thousand was reported in net equity, net of the related tax effect of €845 thousand.

Details are as follows (the figures are shown before tax):

	Notional amount (in €/000))	31.12.2022 Fair value (in €/000)
Interest Rate Swap (IRS) connected to the loan	67,000	3,896
Total fair value of the derivates		**3,896**
of which:		
positive medium/long-term fair value		*2,020*
positive short-term fair value		*1,876*

33. Transactions and balances with related parties

Appendix 4 contains the information concerning transactions and balances with group companies and related parties required by CONSOB Regulations 97001574 dated 20 February 1997, 98015375 dated 27 February 1998 and DEM/2064231 dated 30 September 2002; all such transactions have fallen within the Group's normal operations, except as otherwise stated in these notes, and have been settled under arm's-length terms and conditions.

34. Subsequent events

After 31 December 2022 through the date on which this annual report was approved, no events occurred that would have had a significant impact on the financial and economic results recorded, as per IAS 10 - Events after the reporting period.

35. Proposed resolutions for the annual general meeting

1) Proposed resolution relating to item 1.1 of the Agenda for the Annual General Meeting convened on 21 April 2023 *("Annual Report at 31 December 2022: presentation of the financial statements at 31 December 2022, together with the Directors' Report on Operations, the Board of Statutory Auditors' Report and the External Auditors' Report. Related and consequent resolutions").*

Dear Shareholders,

in submitting the De' Longhi S.p.A.'s Annual Report at 31 December 2022 to you for approval during the Annual General Meeting, we propose that you approve the following resolution:

"The Shareholders of De' Longhi S.p.A., having examined the draft financial statements at 31 December 2022 of De' Longhi S.p.A., the Board of Directors' Report on Operations, the Board of Statutory Auditors' Report, the External Auditors' Report and the other documentation called for under the law

resolve

to approve the Board of Directors' Report on Operations and the financial statements at 31 December 2022 of De' Longhi S.p.A.".

2) Proposed resolution relating to item 1.2 of the Agenda for the Annual General Meeting convened on 21 April 2023 *("Annual Report at 31 December 2022: proposed allocation of the net profit for the year and distribution of the dividend. Related and consequent resolutions").*

Dear Shareholders,

with regard to the allocation of the net profit for the year closed on 31 December 2022, which amounted to €100,808,066, we propose that you approve the following resolution:

"The Shareholders of De' Longhi S.p.A., having acknowledged the net profit for the year shown in the Annual Report at 31 December 2022 and the Directors' Report on Operations

resolve

1. *to allocate €49,172 of the net profit for the year to the legal reserve, in accordance with art. 2430 of the Italian Civil Code, which represents one fifth of the share capital subscribed at the date of this Annual General Meeting;*
2. *to distribute a gross ordinary dividend of €0.48 for each of the shares outstanding with dividend rights at the record date, as per art. 83-terdecies of Legislative Decree 58/98;*
3. *to allocate the remainder of the earnings for the year to the extraordinary reserve;*
4. *to establish that the payment of the dividend, on each share entitled to receive a dividend, will take place on 24 May 2023, with shares going ex-div on 22 May 2023 (detachment of coupon n. 23) in accordance with Borsa Italiana's calendar, based on the record date set in accordance with art. 83-terdecies of Legislative Decree n. 58/98 of 23 May 2023".*

Treviso, 13 March 2023

De' Longhi S.p.A.
Vice Chairman and Chief Executive Officer

Fabio de' Longhi

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Separate annual report and financial statements

Appendices

Appendices

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

This information is contained in the following appendices:

1. Certification of the financial statements pursuant to art. 81-ter of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions.
2. Statement of cash flows in terms of net financial position.
3. List of subsidiary companies and changes in equity investments.
4. Transactions and balances with related parties:
   a. *Income statement and statement of financial position*
   b. *Summary by company*

Certification of the financial statements pursuant to art. 81-ter of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions

(Appendix 1 to the Explanatory Notes)

The undersigned Fabio de' Longhi, Chief Executive Officer and Stefano Biella, as Officer Responsible for Preparing the Company's Financial Report of De' Longhi S.p.A., attest, also taking account of the provisions of paragraphs 2, 3 and 4, art. 154-bis of Decree 58 dated 24 February 1998:

that the accounting and administrative processes for preparing the financial statements during 2022:

- have been adequate in relation to the company's characteristics and
- have been effectively applied.

It is also certified that the financial statements at 31 December 2022:

- have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002 and with the measures implementing art. 9 of Decree 38/2005;
- correspond to the underlying accounting records and books of account;
- are able to provide a true and fair view of the issuer's statement of financial position and results of operations.

The report on operations contains a reliable account of performance and of the results of operations and of the situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

Fabio de' Longhi
Chief Executive Officer

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

Statement of cash flows in terms of net financial position

(Appendix 2 to the Explanatory Notes)

(Amounts in thousands of Euro)	2022	2021
Net profit (loss)	100,808	107,099
Income taxes for the period	5,804	(5,732)
Income for dividends receipt	(132,947)	(133,327)
Amortization	392	561
Net change in provisions and other non-cash items	(1,356)	3,065
Cash flow absorbed by current operations (A)	**(27,299)**	**(28,334)**
Change in assets and liabilities for the period:		
Trade receivables	52	2,147
Trade payables	1,736	1,520
Other changes in net working capital	4,709	5,378
Payment of income taxes	-	(918)
Cash flow generated by changes in working capital (B)	**6,497**	**8,127**
Cash flow absorbed by current operations and changes in working capital (A+B)	**(20,802)**	**(20,207)**
Investment activities:		
Investments in intangible assets	-	(124)
Investments in tangible assets	-	(136)
Investments in leased assets	(266)	(104)
Other cash flow from tangible assets	-	16
Dividends receipt	132,947	133,327
Cash flow generated by investment activities (C)	**132,681**	**132,979**
Cash flow by operating activities (A+B+C)	**111,879**	**112,772**
Exercise of stock option	3,353	7,110
Dividends paid	(124,501)	(80,822)
Cash flow hedge reserve	3,400	1,340
Cash flow absorbed by changes in net equity (E)	**(117,748)**	**(72,372)**
Cash flow for the period (A+B+C+D+E)	**(5,869)**	**40,400**
Opening positive net financial position	**47,973**	**7,573**
Cash flow for the period (A+B+C+D+E)	(5,869)	40,400
Closing positive net financial position	**42,104**	**47,973**

List of equity investments in subsidiary companies (art. 2427 of the Italian Civil Code)

(Appendix 3 to the Explanatory Notes) (*)

Company name	Registered office	Share capital		Net equity		Latest reported profit or (loss)		Interest held (directly)	Book value
Subsidiary companies									*thousands*
De Longhi Benelux S.A. (1)	Luxembourg	Eur	181,730,990	Eur	305,776,026	Eur	67,142,139	100%	266,737
De' Longhi Appliances S.r.l.	Treviso	Eur	200,000,000	Eur	324,453,005	Eur	51,579,088	100%	242,678
De'Longhi Deutschland GmbH (2)	Neu Isenburg	Eur	2,100,000	Eur	52,623,166	Eur	11,523,172	100%	40,800
De' Longhi Capital Services S.r.l. (3) (4)	Treviso	Eur	53,000,000	Eur	64,626,994	Eur	3,625,806	11.32%	6,005
E-Services S.r.l.	Treviso	Eur	50,000	Eur	2,287,199	Eur	1,713,395	100%	5,264
De'Longhi Romania S.r.l. (2) (4)	Cluj-Napoca	Ron	140,000,000	Ron	607,744,175	Ron	74,920,867	10%	3,078
De'Longhi Kenwood GmbH (2)	Wr. Neudorf	Eur	36,336	Eur	4,109,843	Eur	1,311,593	100%	2,900
Clim.Re S.A. (1) (4)	Luxembourg	Eur	1,239,468	Eur	1,921,081	Eur	252,456	4%	54
De'Longhi Polska Sp.Zoo (2) (4)	Warszawa	Pln	50,000	Pln	96,334,630	Pln	22,229,184	0.1%	-
Total									**567,516**

(*) Statutory figures at 31 December 2022, unless otherwise specified.

(1) Statutory figures at 31 December 2021.

(2) Figures used for the purposes of consolidation at 31 December 2022.

(3) The articles of association, approved by the extraordinary shareholders' meeting held on 29 December 2004, give special rights to De' Longhi S.p.A. (holding 89% of the voting rights) for ordinary resolutions (approval of financial statements, declaration of dividends, nomination of directors and statutory auditors, purchase and sale of companies, grant of loans to third parties); voting rights are proportional as far as other resolutions are concerned.

(4) The residual interest is held indirectly.

Changes in equity investments

(Appendix 3 to the Explanatory Notes - *cont'd*)

Equity investments (Amounts in thousands of Euro)	Book value at 31.12.2021	Acquisitions, subscriptions and recapitalizations	Demerger	Net impairment losses and reversals	Book value at 31.12.2022
Subsidiaries					
De Longhi Benelux S.A.	266,737	-	-	-	266,737
De' Longhi Appliances S.r.l.	242,678	-	-	-	242,678
De'Longhi Deutschland GmbH	40,800	-	-	-	40,800
De' Longhi Capital Services S.r.l.	6,005	-	-	-	6,005
E-Services S.r.l.	5,264	-	-	-	5,264
De'Longhi Romania S.r.l.	3,078	-	-	-	3,078
De'Longhi Kenwood GmbH	2,900	-	-		2,900
Clim.Re S.A.	54	-	-	-	54
De'Longhi Polka Sp.Zo.o.	-	-	-	-	-
Total equity investments	**567,516**	**-**	**-**	**-**	**567,516**

Transactions and balances with related parties

(Appendix 4 to the Explanatory Notes)

Income statement pursuant to CONSOB resolution 15519 of 27 July 2006 (Amounts in thousands of Euro)	**Notes**	**2022**	**of which related parties**	**2021**	**of which related parties**
Revenues	1	12,667	12,573	14,547	14,443
Total revenues		**12,667**		**14,547**	
Raw and ancillary materials, consumables and goods	2	(67)		(51)	
Materials consumed		**(67)**		**(51)**	
Payroll costs	3	(7,847)		(19,656)	
Services and other operating expenses	4	(18,842)	(2,604)	(20,974)	(2,034)
Amortization	5	(392)		(561)	
EBIT		**(14,481)**		**(26,695)**	
Net financial income (expenses)	6	121,093	136,452	128,062	134,089
Profit (loss) before taxes		**106,612**		**101,367**	
Income taxes	7	(5,804)		5,732	
Net profit (loss)		**100,808**		**107,099**	

Transactions and balances with related parties

(Appendix 4 to the Explanatory Notes - *cont'd*)

Statement of financial position pursuant to CONSOB resolution 15519 of 27 July 2006 Assets (Amounts in thousands of Euro)	Notes	31.12.2022	of which related parties	31.12.2021	of which related parties
Non-current assets					
Intangible assets		65		102	
- Other intangible assets	*8*	*65*		*102*	
Tangible assets		1,107		1,196	
- Other tangible assets	*9*	*111*		*162*	
- Right of use assets	*10*	*996*		*1,034*	
Equity investments and other financial assets		569,637		567,944	
- Equity investments	*11*	*567,516*		*567,516*	
- Receivables	*12*	*101*	*95*	*112*	*109*
- Other non-current financial assets	*13*	*2,020*		*316*	
Total non-current assets		**570,809**		**569,242**	
Current assets					
Trade receivables		1,219	1,161	1,271	1,269
Current tax assets		483		796	
Other receivables		7,613	5,457	16,102	10,518
Current financial receivables and assets		861,911	860,035	885,926	885,918
Cash and cash equivalents		2,470		20,467	
Total current assets		**873,696**		**924,562**	
Total assets		**1,444,505**		**1,493,804**	

Statement of financial position pursuant to CONSOB resolution 15519 of 27 July 2006 Net equity and liabilities (Amounts in thousands of Euro)	**Notes**	**31.12.2022**	**of which related parties**	**31.12.2021**	**of which related parties**
Net equity					
Net equity		588,531		605,379	
- Share capital	*21*	*226,590*		*226,344*	
- Reserves	*22*	*261,133*		*271,936*	
- Net profit (loss)		*100,808*		*107,099*	
Total net equity		**588,531**		**605,379**	
Non-current liabilities					
Financial payables		714,301		615,674	
- Bank loans and borrowings (long-term portion)	*23*	*477,582*		*357,457*	
- Other financial payables (long-term portion)	*24*	*236,026*		*257,456*	
- Lease liabilities (long-term portion)	*10*	*693*	*518*	*761*	*634*
Deferred tax liabilities	25	13,300		1,196	
Non-current provisions for contingencies and other charges		3,604		5,879	
- Employee benefits	*26*	*3,604*		*5,879*	
Total non-current liabilities		**731,205**		**622,749**	
Current liabilities					
Trade payables	27	7,601	25	5,865	34
Financial payables		110,090		243,171	
- Bank loans and borrowings (short-term portion)	*23*	*87,916*		*220,609*	
- Other financial payables (short-term portion)	*24*	*21,870*	*111*	*22,285*	*137*
- Lease liabilities (short-term portion)	*10*	*304*	*202*	*277*	*176*
Other payables	28	7,078	1,684	16,640	5,750
Total current liabilities		**124,769**		**265,676**	
Total net equity and liabilities		**1,444,505**		**1,493,804**	

Transactions and balances with related parties Summary by company

(Appendix 4 to the Explanatory Notes - *cont'd*)

(Amounts in €/million)	Revenues [1]	Materials consumed and costs for services [1]	Financial income (expenses)	Non-current financial receivables	Current financial receivables	Other receivables [2]	Non-current financial payables	Current financial payables [3]	Other payables
Ultimate parent companies:									
DE LONGHI INDUSTRIAL S.A.	-	-	-	-	-	5.5	-	-	-
Total ultimate parent companies (a)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**5.5**	**0.0**	**0.0**	**0.0**
Subsidiary companies:									
DE'LONGHI APPLIANCES S.R.L.	7.0	(0.2)	130.0	-	-	1.0	(0.5)	(0.2)	(1.7)
E-SERVICES S.R.L.	2.9	(0.6)	1.5	-	-	-	-	-	-
DE'LONGHI KENWOOD A.P.A. LTD	1.6	-	0.1	0.1	-	-	-	-	-
CAPITAL BRANDS HOLDINGS INC.	0.7	-	-	-	-	-	-	-	-
DE'LONGHI S.R.L. - ROMANIA	0.1	-	-	-	-	-	-	-	-
KENWOOD LIMITED	0.1	(0.1)	-	-	-	-	-	-	-
DE'LONGHI HOUSEHOLD GMBH	0.1	-	-	-	-	0.1	-	-	-
DE'LONGHI AMERICA INC.	-	(1.7)	-	-	-	-	-	-	-
DE'LONGHI CAPITAL SERVICES Srl	-	-	3.5	-	860.0	-	-	(0.1)	-
DE'LONGHI-KENWOOD GMBH - AUSTRIA	-	-	1.4	-	-	-	-	-	-
Total subsidiary companies (b)	**12.5**	**(2.6)**	**136.5**	**0.1**	**860.0**	**1.1**	**(0.5)**	**(0.3)**	**(1.7)**
Related companies:									
GAMMA S.R.L.	0.1	-	-	-	-	-	-	-	-
Total related companies (c)	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total ultimate parent, subsidiary and related companies (a+b+c)	**12.6**	**(2.6)**	**136.5**	**0.1**	**860.0**	**6.6**	**(0.5)**	**(0.3)**	**(1.7)**

(1) These mostly refer to dealings of a commercial nature and the supply of administrative services by company employees.

(2) These consist of €1.2 million in "Trade receivables" and €5.4 million in "Other receivables".

(3) This item includes €0.1 million in "Other financial payables" and €0.2 million in "Lease payables".

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

Separate annual report and financial statements

External auditors' report on the separated financial statements

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of De' Longhi SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of De' Longhi SpA (the Company), which comprise the statement of financial position as of 31 December 2022, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

There are no key audit matters to disclose in this report.

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Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

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based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 19 April 2018, the shareholders of De' Longhi SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2019 to 31 December 2027.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) No. 2019/815

The directors of De' Longhi SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) No. 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements as of 31 December 2022, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation

In our opinion, the financial statements as of 31 December 2022 have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of De' Longhi SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of De' Longhi SpA as of 31 December 2022, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of De' Longhi SpA as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of De' Longhi SpA as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Treviso, 29 March 2023

PricewaterhouseCoopers SpA

Signed by

Filippo Zagagnin
(Partner)

As disclosed in "Contents" section, the accompanying financial statements of De' Longhi SpA constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

This report is available on the corporate website:

www.delonghigroup.com

De’ Longhi S.p.A.
Registered office: Via L. Seitz, 47 - 31100 Treviso
Share capital: EUR 226,590,000 (subscribed and paid-in)
Tax ID and Company Register no.: 11570840154
Treviso Chamber of Commerce no.: 224758
VAT no.: 03162730265

DēLonghi Group | DēLonghi KENWOOD BRAUN nutribullet Ariete