DēLonghi Group

# 2021

## Annual report at 31 december

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*The Annual report at 31 december 2021 has been translated from the Italian original solely for the convenience of international readers.*

# Letter form the CEO

*“2021 was a year of important results, in terms of both growth and value creation. Not only do these results testify to the success of a strategy based on a long-term vision, product innovation, manufacturing excellence and continuous investments, but they also encourage us to continue along the path we have undertaken, convinced that we can count on the structural growth trends seen in our “core” segment and the strength of our brands.*

Significant investments were made in manufacturing, to improve and strengthen the production facilities, as well as in communication and marketing, in order to support both traditional channels and digital platforms, which culminated in the first global campaign with Brad Pitt as the Ambassador for the De' Longhi brand coffee products.

The continuous focus on innovation and the launch of new products made it possible to expand and renew our product range, enriched by the acquisition of Capital Brands, active in the personal blenders segment, and of Eversys, active in the professional coffee segment.

The Group is managing a gradual increase in complexity on a global level, attributable to the supply chain tensions linked to the difficulties encountered in finding parts, as well as a general increase in the cost of raw materials and transportation. The results we achieved reflect the ongoing collaboration with our business partners and, above all, the extraordinary dedication of our employees who I would like to thank for the commitment shown at a particularly complicated moment in time.

In the past few days we have, unfortunately, been witness to tragic scenes of war which have left us profoundly shaken and concerned about possible future developments. We feel close to all the victims of this terrible conflict and, more specifically, our number one priority is to provide the assistance needed to guarantee the safety of our personnel and their families.

Toward this end, we, nonetheless, intend to proceed with the investment plans for communication, as well as for the strengthening of the organizational structure and production facilities, consistent with our medium/long-term plan.

Massimo Garavaglia
*Chief Executive Officer and General Manager*

# 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 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.

# B Business model

DēLonghi Group

## 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.

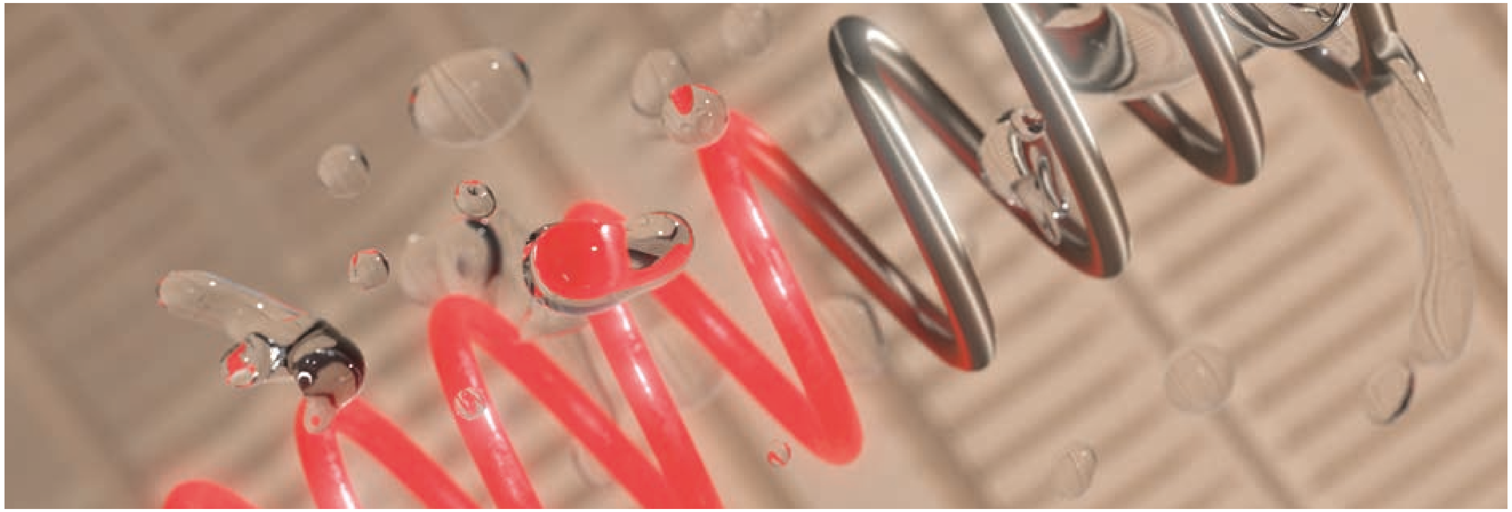
## Reaching customers and consumers

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.

## 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.

# Sustainability



The De' Longhi Group is committed to pursuing the gradual inclusion of 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 sort.

Toward this end, 2021 marked the beginning of a new chapter in the Group's sustainability path, shaped by Sustainable Success.

This led De' Longhi to rethink its sustainability governance which now comprises:

- the Control, Risk, Corporate Governance and Sustainability Committee - a Board committee with proactive guidance and advisory functions;
- Sustainability Steering Committee - comprised of different department managers, responsible for defining the sustainability strategy, as well as the relative strategic plan;
- three Focus Groups - one for each of the Group's sustainability pillars (People, Products and Processes). A Team Leader was selected who is responsible for the supervision/implementation of the projects included in the plan relative to his/her own area of expertise;
- the Group's Sustainability Director, appointed in 2021.

In addition to defining the new governance, in 2021 the Group also:

- analyzed the main ESG best practices worldwide, ESG requisites and the requests from clients and partners;
- defined the areas of commitment that the Group intends to focus on in the future;
- prepared a Manifesto (targeting all Group personnel), which cements the renewed commitment to sustainability and aims to create a transversal commitment for the entire internal community;
- identified, as well as started, the single projects that the Group intends to work on over the next few months;
- entered into strategic partnerships with Italy's main universities.

The Group also:

- updated its materiality analysis (which also included an update on the identification of the relevant stakeholders) in light of the Group's new sustainability strategy drawn up in 2021;
- included the list of the risks associated with sustainability in the Group's ERM.

Sustainability was also identified as on the most important key enablers in the Medium Term Plan 2021-2023, which confirms how important the concept of "Sustainable Success" is to the De' Longhi Group.

# C Company officers *

## Board of Directors

| | |
|---|---|
| Giuseppe De' Longhi | Chairman |
| Fabio De' Longhi | Vice Chairman |
| Massimo Garavaglia | Chief Executive Officer |
| Silvia De' Longhi | Director |
| Massimiliano Benedetti ** | Director |
| Ferruccio Borsani ** | Director |
| Luisa Maria Virginia Collina ** | Director |
| Renato Corrada | Director |
| Carlo Garavaglia | Director |
| Maria Cristina Pagni ** | Director |
| Stefania Petruccioli ** | Director |
| Giorgio Sandri | Director |

## Board of Statutory Auditors

| | |
|---|---|
| Cesare Conti | Chairman |
| Paola Mignani | Standing member |
| Alberto Villani | Standing member |
| Laura Braga | Alternate auditor |
| Alberta Gervasio | Alternate auditor |

## External Auditors

PricewaterhouseCoopers S.p.A.***

## Control, Risks, Corporate Governance and Sustainability Committee

Stefania Petruccioli **

Maria Cristina Pagni **

Renato Corrada

## Remuneration and Appointments Committee

Maria Cristina Pagni **

Stefania Petruccioli **

Carlo Garavaglia

## Independent Committee

Maria Cristina Pagni **

Massimiliano Benedetti **

Ferruccio Borsani **

Luisa Maria Virginia Collina **

Stefania Petruccioli **

* The company officers were elected at the shareholders' meeting of 30 April 2019 for the period 2019-2021. The number of Board of Directors members was increased to 12 following the appointment by the Shareholders' Meeting on 22 April 2020 of Massimo Garavaglia as a member of the Board of Directors, granted powers as Chief Executive Officer, through the end of the Board's term.

** Independent directors.

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

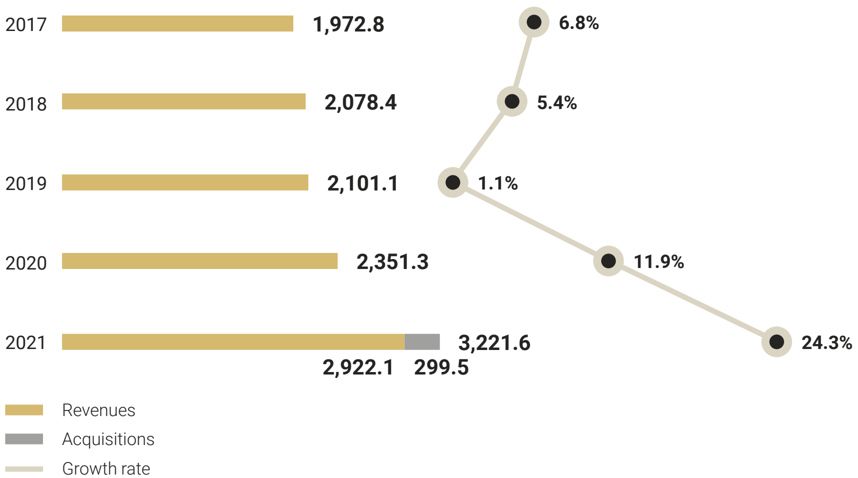
# Key performance indicators

## Consolidated revenues

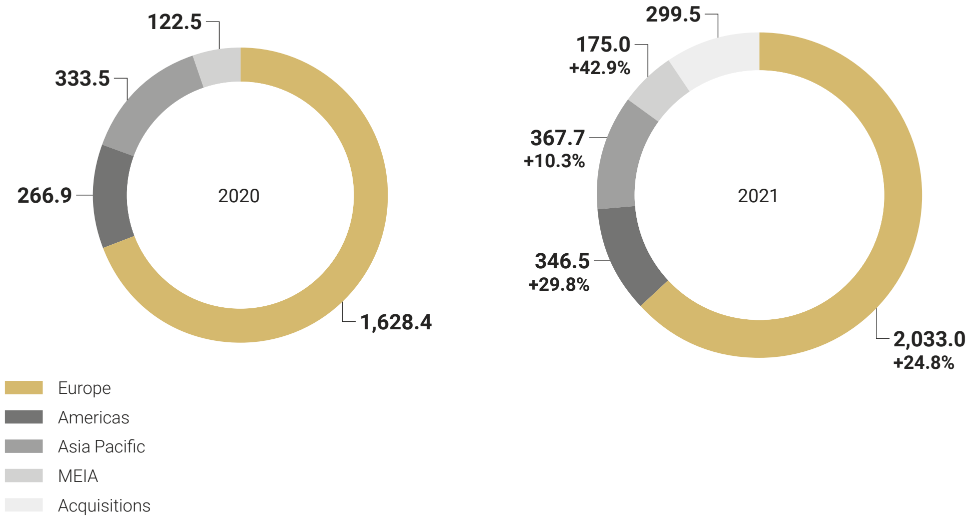
**3,221.6**
euro mln

## Consolidated revenues like-for-like

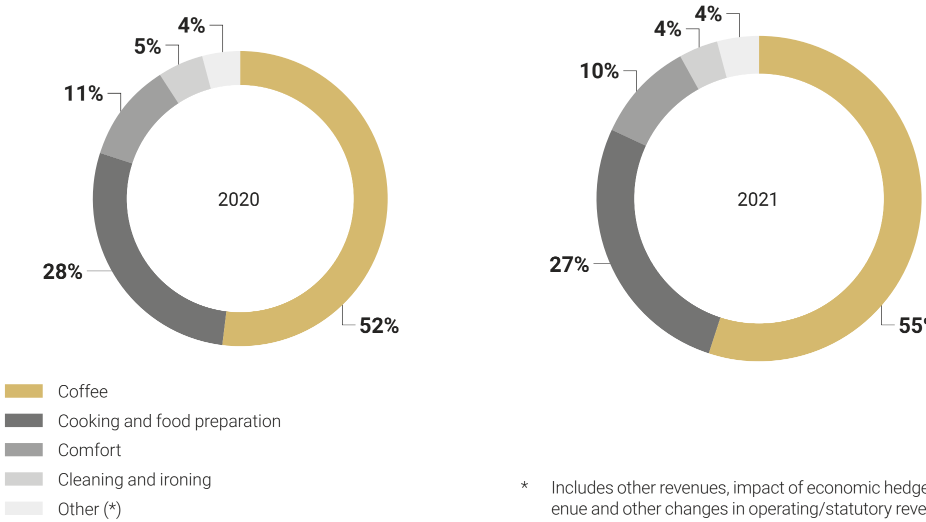
**2,922.1**
euro mln
+24.3%
(+25.2% at constant exchange rates)




## Consolidated revenues by geographical area




## Consolidated revenues by product category



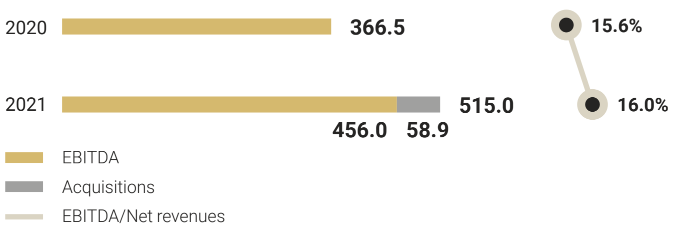

* Includes other revenues, impact of economic hedges on revenue and other changes in operating/statutory revenues.

## EBITDA before non-recurring/ stock option costs

# 515.0

euro mln
16% of revenues

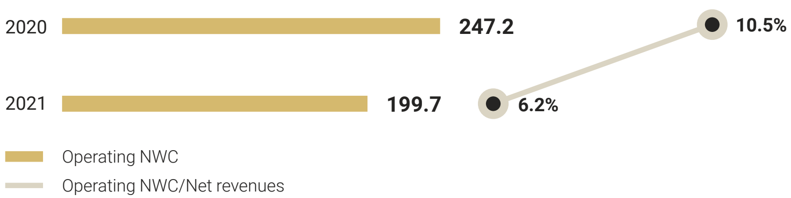
at constant perimeter equal to €456.0 million




## Operating NWC

# 199.7

euro mln
6.2% of revenues

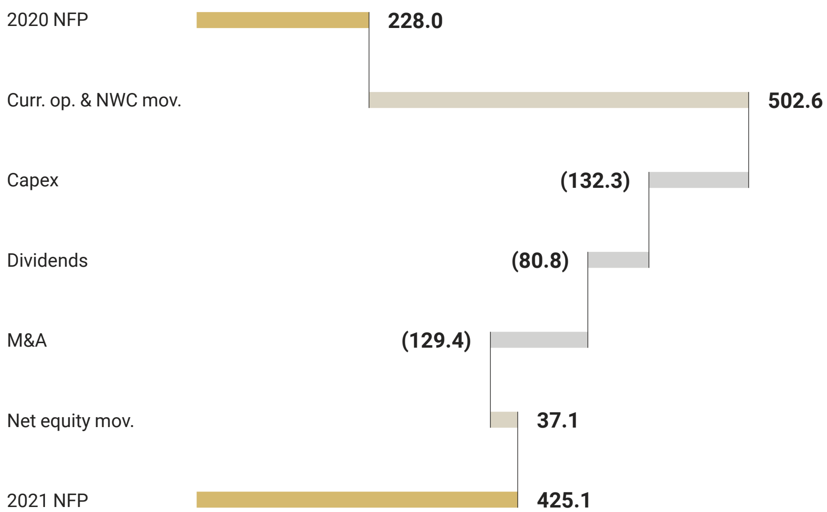



## NFP

# 425.1

euro mln

Operating cash flow and increase in NWC of €502.6 million



## Results

| (€/million) | 31.12.2021 | % | 31.12.2021 on like-for-like basis | % | 31.12.2020 | % | Change on like-for-like basis | Change on like-for-like basis % |
|---|---|---|---|---|---|---|---|---|
| Revenues | 3,221.6 | 100.0% | 2,922.1 | 100.0% | 2,351.3 | 100.0% | 570.9 | 24.3% |
| *Revenues at constant exchange rates* | *3,250.9* | *100.0%* | *2,942.0* | *100.0%* | *2,349.7* | *100.0%* | *592.3* | *25.2%* |
| Net industrial margin | 1,600.2 | 49.7% | 1,473.2 | 50.4% | 1,157.1 | 49.2% | 316.2 | 27.3% |
| EBITDA before non-recurring/stock option costs | 515.0 | 16.0% | 456.0 | 15.6% | 366.5 | 15.6% | 89.5 | 24.4% |
| EBITDA | 480.6 | 14.9% | 431.4 | 14.8% | 343.0 | 14.6% | 88.4 | 25.8% |
| EBIT | 386.9 | 12.0% | 350.8 | 12.0% | 262.0 | 11.1% | 88.8 | 33.9% |
| EBIT before non-recurring/stock option costs | 421.3 | 13.1% | 375.4 | 12.8% | 285.5 | 12.1% | 89.9 | 31.5% |
| Profit (loss) pertaining to the Group | 311.1 | 9.7% | 258.7 | 8.9% | 200.1 | 8.5% | 58.5 | 29.2% |
| Net result before non-recurring/stock option costs | 312.8 | 9.7% | 278.3 | 9.5% | 218.0 | 9.3% | 60.2 | 27.6% |

## Dati patrimoniali e finanziari

| (€/million) | 31.12.2021 | 31.12.2020 (*) |
|---|---|---|
| Net operating working capital | 199.7 | 247.2 |
| Net operating working capital/Revenues | 6.2% | 10.5% |
| Net working capital | (8.6) | 103.2 |
| Net capital employed | 1,145.5 | 1,039.4 |
| Net financial assets | 425.1 | 228.0 |
| of which: | | |
| *- net bank financial position* | *505.9* | *303.8* |
| *- other financial receivables/(payables)* | *(80.8)* | *(75.8)* |
| Net equity | 1,570.6 | 1,267.4 |

* As required by IFRS 3, the balance sheet figures at 31 December 2020 have been restated to reflect the definitive accounting of the Capital Brands business combination.

# I Introduction and definitions

The income statement and balance sheet figures commented on below reflect the change in the scope of consolidation explained by the recent acquisitions.

For the sake of a better comparison the like-for-like figures, namely excluding the consolidation of Capital Brands and Eversys, are also provided where needed.

The balance sheet and financial figures at 31 December 2020 have been restated, in accordance with IFRS 3, as a result of the definitive accounting of the Capital Brands business combination.

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

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 calls for caution when making economic forecasts as the economic prospects continue to depend on the pandemic and the ensuing supply chain disruptions, as well as the dramatic geopolitical tensions between Russia and Ukraine. The actual results could, therefore, differ from the ones presented.

# Report on operations

# Performance review

2021 was an extremely favorable year for the De' Longhi Group during which, after a very positive 2020 that created a challenging comparison base, the trend in revenue growth continued with double digit growth, improved margins and significant cash generation.

The ongoing change in domestic lifestyles provided all the main markets with important growth opportunities which De' Longhi was able to make the most of, leveraging on the strength of its brand and the investments in communication, innovation and marketing made also support the goals for future growth.

2021 was characterized by sizeable investments in promotional activities and high impact communication campaigns consistent with the strategy to accelerate the marketing and communication initiatives implemented in the past few years as part of the medium term plan.

The new advertising campaign, the first global campaign, stars Brad Pitt who was chosen to be a De' Longhi brand ambassador for home espresso coffee machines. The campaign was adapted to local needs solely in China where the actor and singer, Hu Ge, acts as testimonial.

In 2021, however, the global market conditions were affected by the gradual increase in the complexity of the entire consumer goods sector with supply chain pressures due to the difficulties encountered in finding raw materials and the general increase in production and transportation costs. In this backdrop the Group, demonstrating its proven ability in managing complex situations, faced the critical issues by leveraging on the collaboration with its business partners, the commitment of its people and the continuous improvement and expansion of its production capacity.

Important investments were made in strengthening production, as well as the development and launch of new products with a view to expanding and renewing the offer range, making it increasingly more interesting for consumers and in line with their expectations.

The attention paid to the development of new products is confirmed clearly by the investments made in infrastructure, first and foremost in the new headquarters/innovation center, which will mainly be used to strengthen research and development, that is nearing completion.

The dedication of the personnel, during a particularly complicated period, was rewarded with a special bonus that was given in recognition of the strong contribution that all the employees and partners made to the Group's growth.

The like-for-like growth achieved in 2021 was further strengthened by the contribution of the recent acquisitions.

Capital Brands, which became part of the Group as of the end of December 2020, with the brands Nutribullet and MagicBullet, made it possible to strengthen the healthy food and wellness segment and meet the consumers' growing demand for natural, healthy foods.

Eversys, rather, made it possible to get closer to the segment of professional espresso coffee machines with innovative, high-end products.

In both cases, the recently acquired companies made a positive contribution, in line with management's expectations.[1]

For the sake of a better comparison the like-for-like figures, namely excluding the consolidation of the newly acquired companies, are also provided where needed.

The Group posted revenues of €3,221.6 million in 2021, an increase of 37.0% compared to 2020, with like-for-like revenues rising 24.3% (+25.2% at constant exchange rates) to €2,922.1 million.

The fourth quarter made a positive contribution with growth of 22.1% (+11.4% like-for-like) compared to the same period of 2020 which was a challenging comparison base given the increase of 10.1% against 2019.

Growth benefited from a significant increase in volumes and a positive price effect which made it possible for the margins to hold despite the strong inflationary pressures. The exchange effect was negative in the year (-€30.8 million; -€21.4 million like-for-like).

1 The Capital Brands Holding Inc. acquisition closed on 29 December 2020 for consideration, including after the adjusted purchase prices was determined, of USD 354.9 million (equity value).

After purchasing the remaining 60% stake in Everysys (for CHF 110 million), full control of Eversys was reached. Eversys was consolidated on a line-by-line basis as of 1 April 2021 based on the latest available interim financial statements.

The purchase price for the assets acquired and liabilities assumed was allocated at 31 December 2021 for both acquisitions; for more information refer to "Changes in the scope of consolidation - business combinations" in the explanatory notes.

With regard to Eversys, once total control was acquired the stake held previously was measured at fair value and the result of the valuation was recognized in the income statement for the reporting period in accordance with IFRS 3.

All the main markets posted a positive performance.

In **Europe** like-for-like revenues amounted to €2,033.0 million, an increase of 24.8% (+25.6% at constant exchange rates) with respect to 2020 which was 14.7% higher than in 2019. All the markets reported double-digit growth, as did the entire brand portfolio. Coffee machines made a strong contribution. Sales of the Kenwood kitchen machines were noteworthy, fueled by lifestyle changes and the renewed passion for cooking, posting growth consistent with the prior year. The other food preparation products and irons also recorded good results. Comfort's performance was unchanged, particularly for portable air conditioners.

In **Americas** (which includes the markets of North, Central and South America) revenues reached € 562.8 million, or €346.5 million like-for-like, showing robust growth (+29.8%; +33.3% at constant exchange rates) to which all the product families made a balanced contribution. The United States and Canada reported double-digit growth thanks to the contribution of the historic brands, De'Longhi and Braun, and the positive results of the Nespresso platform products. Coffee products maintained very good growth and positive results were also posted by the home comfort segment, both air treatment and heaters.

**Asia-Pacific** recorded like-for-like revenues of €367.7 million, an increase of 10.3% compared to 2020 (+9.2% at constant exchange rates). Australia and New Zealand recorded double-digit growth and Greater China reported good results driven by coffee machines, specifically the La Specialista line. In Japan the good sales performance of coffee products and handblenders helped to offset a weak heating segment attributable to unfavorable weather conditions.

**MEIA** closed the year with like-for-like revenues of €175.0 million, an increase of 42.9% (+46.4% at constant exchange rates). The positive performance is attributable, above all, to coffee machines which benefitted from the new advertising campaign and the launch, in the second half, of Nespresso/Dolcegusto platform products in a few select countries. Food preparation products also recorded good results, thanks also to the introduction of a few models customized to meet the specific needs of the market. More in detail, Braun brand handblenders drove growth with good results in Egypt and Saudi Arabia despite temporary procurement issues.

Looking at business lines, all the product families recorded growth, with the exception of home care which closed the year with sales basically in line with 2020.

More in detail, coffee machines and food preparation products posted double-digit growth in sales. Comfort reported positive results even though the summer weather in Europe was not favorable.

In terms of margins, 2021 benefitted from a combination of higher volumes and the improved efficiency in production, as well as a positive price and mix effect which offset the strong pressures caused by the increase in procurement and transportation costs explained by the difficulties encountered finding raw materials and parts, as well as moving merchandise. The negative impact of exchange differences and hedges on revenues was largely offset by the positive impact on costs.

The net industrial margin came to €1,600.2 million, or 49.7% of revenues.

Like-for-like the net industrial margin was €1,473.2 million, rising against 2020 both numerically (+€316.2 million or +27.3%) and as a percentage of revenues (going from 49.2% of revenues in 2020 to 50.4% in 2021).

Consistent with its medium/long term plan, the Group continued investing in promotional activities and advertising to support brands and products with total costs reaching €395.1 million like-for-like, an increase of more than 30% against the prior year. These costs include the outlays for the new ambassadors and the global advertising campaign.

EBITDA before non-recurring/stock option costs came to €515.0 million or 16.0% of revenues.

Like-for-like EBITDA before non-recurring/stock option costs amounted to €456.0 million (15.6% of revenues), showing growth of 24.4% against the prior year.

In 2021 the Group recognized €3.6 million in notional stock option costs and non-recurring costs of €30.8 million relating primarily to the special bonus given to employees and partners, the economic impact of the fair value allocated to the Capital Brands and Eversys business combinations and the revised valuation of a few current assets as a result of the recent geo-political crisis which were recognized and reported separately.

EBIT came to €386.9 million or €350.8 million like-for-like (€262.0 million in 2020), equal to 12.0% of revenues.

Financial income of €13.3 million was recognized in 2021 which also reflects €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.

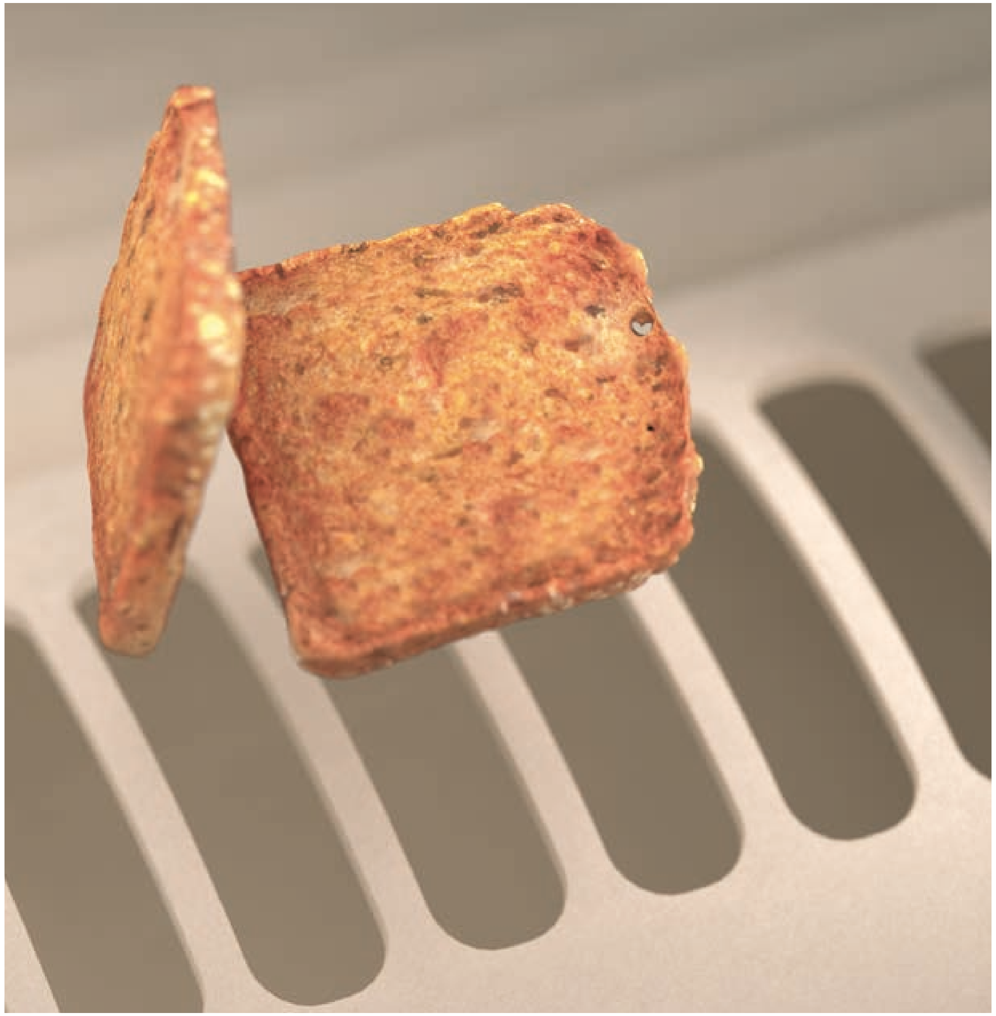
Taxes amounted to €88.5 million.

Net of the non-controlling interests of €0.7 million, the Group's portion of net profit came to €311.1 million (€200.1 million in 2020).

With regard to the financial position, 2021 was a complex year also with regard to the management of working capital which was impacted by the need to finance business growth and the supply chain bottlenecks which affected, above all, the value of the inventory, which was higher than in 2020 due to the prudent management of stock in a difficult context; despite all of this, the careful management of trade receivables and payables made it possible to keep working capital under control with good cash generation.

Net operating working capital amounted to €199.7 million (6.2% of revenues), higher both numerically and as a percentage of rolling revenues compared to 31 December 2020 (€247.2 million or 10.5% of revenues).

The net financial position, which reflects the impact



of the recent acquisitions, came to a positive €425.1 million at 31 December 2021 (versus €228.0 million at 31 December 2020).

Net 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 came to a positive €505.9 million (versus €303.8 million at 31 December 2020).

Operating cash flow and the movements in NWC reached a positive €502.6 million in 2021, due to the increase in profitability and good management of working capital.

This cash flow made it possible to cover the investments, the acquisitions made in the reporting period, as well as the payment of dividends.

Total cash flow came to a positive €197.1 million in the year (versus net absorption of €49.8 million in 2020).

# Group results

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

| (€/million) | 31.12.2021 | % revenues | 31.12.2021 on LFL basis | % revenues | 31.12.2020 | % revenues |
|---|---|---|---|---|---|---|
| **Revenues** | **3,221.6** | **100.0%** | **2,922.1** | **100.0%** | **2,351.3** | **100.0%** |
| *Change* | *870.3* | *37.0%* | *570.9* | *24.3%* | | |
| Materials consumed & other production costs (production services and payroll costs) | (1,621.4) | (50.3%) | (1,448.9) | (49.6%) | (1,194.2) | (50.8%) |
| **Net industrial margin** | **1,600.2** | **49.7%** | **1,473.2** | **50.4%** | **1,157.1** | **49.2%** |
| Services and other operating expenses | (845.9) | (26.3%) | (799.3) | (27.4%) | (597.2) | (25.4%) |
| Payroll (non-production) | (239.3) | (7.4%) | (218.0) | (7.5%) | (193.4) | (8.2%) |
| **EBITDA before non-recurring/stock option costs** | **515.0** | **16.0%** | **456.0** | **15.6%** | **366.5** | **15.6%** |
| *Change* | *148.5* | *40.5%* | *89.5* | *24.4%* | | |
| Non-recurring expenses/stock option costs | (34.3) | (1.1%) | (24.6) | (0.8%) | (23.5) | (1.0%) |
| **EBITDA** | **480.6** | **14.9%** | **431.4** | **14.8%** | **343.0** | **14.6%** |
| Amortization | (93.7) | (2.9%) | (80.6) | (2.8%) | (81.0) | (3.4%) |
| **EBIT** | **386.9** | **12.0%** | **350.8** | **12.0%** | **262.0** | **11.1%** |
| *Change* | *124.9* | *47.7%* | *88.8* | *33.9%* | | |
| Net financial income (expenses) | 13.3 | 0.4% | (9.9) | (0.3%) | (5.7) | (0.2%) |
| **Profit (loss) before taxes** | **400.3** | **12.4%** | **340.9** | **11.7%** | **256.3** | **10.9%** |
| Taxes | (88.5) | (2.7%) | (82.2) | (2.8%) | (56.2) | (2.4%) |
| **Net Result** | **311.7** | **9.7%** | **258.7** | **8.9%** | **200.1** | **8.5%** |
| Minority interests | 0.7 | 0.0% | - | 0.0% | - | 0.0% |
| **Profit (loss) pertaining to the Group** | **311.1** | **9.7%** | **258.7** | **8.9%** | **200.1** | **8.5%** |

The net industrial margin reported in the reclassified income statement differs by €292.8 million in 2021 (€183.2 million in 2020) 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 €3,221.6 million in 2021, an increase of 37.0% compared to 2020, (+38.4% at constant exchange rates).

Excluding the contribution of the newly acquired Capital Brands and Eversys, like-for-like revenues rose 24.3% (+25.2% at constant exchange rates) in 2021 to €2,992.1 million.

The fourth quarter made a sizeable contribution with growth of 22.1% (+11.4% like-for-like) compared to the same period of 2020 which was a challenging comparison base given the increase of 10.1% against 2019.

All the main markets and product segments reported revenue growth, with the exception of home care which closed the year with sales basically in line with 2020.

Higher volumes were key to revenue growth.

The price management policies/strategies helped to offset the impact that inflation had on the costs of raw materials and transportation which made it possible to maintain margins in a complex environment.

The exchange effect was negative for €30.8 million in the year (negative for €21.4 million on the like-for-like revenues).

In 2021 investments in commercial activities to support both traditional channels and the digital platforms continued. In all the main European markets the Group continued with the implementation of its in-store execution program in order to improve the sell-out of strategic products in physical stores. The activities to strengthen the e-commerce platforms continued at the same time.

Sales benefited from the initial positive effects of the massive communication and promotional campaigns, like the new global campaign supporting the growth of coffee products and the visibility provided by the ambassadors, which increased the visibility of the Group's brands and products.

## Markets

In light of the growing importance of the Americas (which includes the markets of North, Central and South America), as of the first quarter of 2021 its revenues are shown separately from the Asia Pacific countries.

The performance of revenues in the different commercial regions is summarized below. For the sake of greater comparison, the figures are reported like-for-like, namely excluding the contribution of Capital Brands and Eversys. Unless specified otherwise, the comments in this report refer to the Group's results in its pre-acquisition configuration.

| (€/million) | 2021 | % | 2021 on like-for-like basis | % | 2020 | % | Change on like-for-like basis | Change % on like-for-like basis | Change at constant exchange rates % on like-for-like basis |
|---|---|---|---|---|---|---|---|---|---|
| Europe | 2,076.3 | 64.4% | 2,033.0 | 69.6% | 1,628.4 | 69.3% | 404.5 | 24.8% | 25.6% |
| Americas | 562.8 | 17.5% | 346.5 | 11.8% | 266.9 | 11.3% | 79.6 | 29.8% | 33.3% |
| Asia Pacific | 400.3 | 12.4% | 367.7 | 12.6% | 333.5 | 14.2% | 34.2 | 10.3% | 9.2% |
| MEIA (Middle East/ India/Africa) | 182.3 | 5.7% | 175.0 | 6.0% | 122.5 | 5.2% | 52.5 | 42.9% | 46.4% |
| **Total revenues** | **3,221.6** | **100.0%** | **2,922.1** | **100.0%** | **2,351.3** | **100.0%** | **570.9** | **24.3%** | **25.2%** |

In **Europe**, continuing the path of accelerated growth begun in the prior year, the Group posted revenues of €2,033.0 million, an increase of 24.8% (+25.6% at constant exchange rates) compared to 2020 which was a challenging comparison base given the increase of 14.7% against 2019. Coffee machines, which showed improvement in all product categories, made a strong contribution to growth. More in detail, the fully automatic machines were given a boost by the "Perfetto" campaign. Manual models and Nespresso platform products reported positive results. Sales for Kenwood brand kitchen machines, which were positively impacted by the new lifestyles and renewed passion for cooking, posted significant growth, consistent with the prior year. The other cooking and food preparation products also reported positive results. The Braun brand, in particular, benefitted from the communication campaign focused on the brand's 100th anniversary. Comfort posted a stable performance, above all with respect to portable air conditioners. All the region's main markets recorded double-digit growth; Germany's performance was particularly good, followed by France and Italy which posted very positive results for fully automatic machines (and coffee products, in general). Russia and Ukraine recorded sales growth, despite the negative exchange effect. Sales in Poland were up thanks, above all, to the contribution of coffee which benefitted from the launch of the La Specialista line of manual machines. Positive results were achieved in the United Kingdom despite a few logistics issues explained by both Brexit and the health crisis.

In the **Americas** (which includes the markets of North, Central and South America), which is now the Group's biggest market, revenues amounted to €562.8 million thanks to the contribution of the new brands Nutribullet and MagicBullet, introduced at the end of the year, or €346.5 million like-for-like, posting robust growth (+29.8%; +33.3% at constant exchange rates) to which all the product families made a balanced contribution. The United States and Canada reported double-digit growth thanks to the contribution of both the De'Longhi and Braun brands, as well as the positive results of the Nespresso platform products. Coffee products maintained very good growth and positive results were also posted by the home comfort segment, both air treatment and heaters.

**Asia-Pacific** recorded revenues of €367.7 million, an increase of 10.3% compared to 2020 (+9.2% at constant exchange rates).

Australia and New Zealand recorded double-digit growth thanks to the contribution of coffee machines, particularly the La Specialista line.

Positive results were reported in Greater China thanks to coffee products which benefitted from the sizeable investments made in communication campaigns to support the launch of the manual and the fully automatic La Specialista machines. The completed implementation of the DTC business model on TMall contributed to sales growth, improved margins and receivables management.

In Japan the good sales performance of coffee products and handblenders helped to offset a weak heating segment attributable to unfavorable weather conditions.

**MEIA** closed the year with revenues of €175.0 million, an increase of 42.9% (+46.4% at constant exchange rates). The positive performance is attributable, above all, to coffee machines which benefitted from the new advertising campaign and the launch, in the second half, of Nespresso/Dolcegusto platform products in a few selected countries. Food preparation products recorded good results, thanks also to the introduction of a few models customized to meet the specific needs of the market. More in detail, Braun brand handblenders drove growth with good results in Egypt and Saudi Arabia despite temporary procurement issues.

## Business lines

All the product families, with the exception of home care which closed the year basically in line with 2020, made a positive contribution to growth.

Coffee products posted double-digit growth in sales thanks to the good results of all the product categories. Fully automatic coffee machines posted positive results in all the commercial areas which contributed to increasing market share, confirming and strengthening the De' Longhi brand as the segment leader. Germany was confirmed as the main market, but excellent results were also recorded in France, Greater China, Italy and Spain/Portugal. The biggest novelty in 2021 was the launch, in the fourth quarter, of the Magnifica Evo model. Excellent results were also achieved by the PrimaDonna Soul model, launched in September 2020 and winner of the StiWa (Stiftung Warentest).

Looking at manual machines, the good results were driven by the new models, La Specialista Maestro and La Specialista Arte. The Dedica line also posted a good performance, boosted by the introduction of the new Dedica Arte and a few new color options for the Metallics collection.

Food preparation also reported double-digit growth in sales. The new consumer lifestyle, much more focused on healthy eating and sustainable consumption, contributed to the good performance.

Kitchen machines benefitted from the introduction of the new Titanium Chef Baker which offers integrated weighing scales, at what is still a competitive price, and the new color options, inspired by nature, of the kMix line.

In 2021 the Group increased its market share for handblenders. The family of Braun brand handblenders had an important role in this regard with the introduction of three new models, the MultiQuick7, the MultiQuick 9 and the Multiquick 5V Blend&Go, high performing products offered at a competitive price. The Kenwood Triblade line also reported good results.

Positive results were achieved by both traditional and air fryers, particularly the Idealfry line.

The breakfast line and other food preparation products made a positive contribution.

Growth was recorded by comfort despite the unfavorable summer in Europe.

Home care, which comprises mainly home cleaning products and irons, closed the year with sales largely in line with 2020.

## Profitability

Despite the complex global market conditions, in 2021 the Group managed to improve its margins.

In terms of production, the significant increase in volumes helped improve efficiency. From a commercial standpoint, steps were taken to redefine sales prices which made it possible to offset the strong pressures caused by the increase in procurement and transportation costs explained by the difficulties encountered finding raw materials and parts, as well as moving merchandise.

The negative impact of exchange differences and hedges on revenues was largely offset by the positive impact on costs.

A more favorable client/product mix further strengthened profitability.

The net industrial margin came to €1,600.2 million, or 49.7% of revenues.

Like-for-like the net industrial margin was €1,473.2 million, rising against the same period 2020 both numerically (+€316.2 million, +27.3%) and as a percentage of revenues (from 49.2% in 2020 to 50.4% in 2021).

The Group continued to increase its investments in promotional campaigns and communication as part of its strategy to accelerate marketing activities implemented over the last few years, consistent with its medium/long term plan. The total cost for promotional activities and advertising in 2021, which includes the costs for the "Perfetto" campaign, came to €395.1 million like-for-like, an increase of more than 30% against the prior year (+€102.3 million).

EBITDA before non-recurring/stock option costs came to €515.0 million or 16.0% of revenues.

Like-for-like EBITDA before non-recurring/stock option costs amounted to €456.0 million (15.6% of revenues), showing growth of 24.4% against the prior year.

In 2021 the Group recognized €3.6 million in notional stock option costs. There were also non-recurring charges of €30.8 million relating primarily to the special bonus given to employees and partners, the economic impact of the fair value allocated to the Capital Brands and Eversys business combinations and the revised valuation of a few current assets as a result of the recent geo-political crisis which were recognized and reported separately.

Amortization and depreciation were €12.7 million higher than in 2020, coming in at €93.7 million, due mainly to the increase in assets attributable to the new acquisitions.

EBIT came to €386.9 million or €350.8 million like-for-like (€262.0 million in 2020), equal to 12.0% of revenues. Net of the non-recurring items, EBIT would have amounted to €421.3 million (13.1% of revenues), or €375.4 million (12.8%) like-for-like.

Financial income of €13.3 million was recognized in 2021 which also reflects €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.

Taxes amounted to €88.5 million.

Net of the non-controlling interests of €0.7 million, the Group's portion of net profit came to €311.1 million (€200.1 million in 2020).

Net of the non-recurring items and the relative tax effect, net profit reaches €312.8 million or €278.3 million like-for-like (€218.0 million in 2020).

# 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) | 31.12.2021 | 31.12.2020 (*) |
|---|---|---|
| - Intangible assets | 867.9 | 686.8 |
| - Property, plant and equipment | 389.5 | 323.7 |
| - Financial assets | 11.9 | 34.6 |
| - Deferred tax assets | 74.3 | 58.5 |
| **Non-current assets** | **1,343.6** | **1,103.5** |
| - Inventories | 769.3 | 432.1 |
| - Trade receivables | 366.7 | 397.3 |
| - Trade payables | (936.2) | (582.2) |
| - Other payables (net of receivables) | (208.3) | (144.0) |
| **Net working capital** | **(8.6)** | **103.2** |
| **Total non-current liabilities and provisions** | **(189.5)** | **(167.4)** |
| **Net capital employed** | **1,145.5** | **1,039.4** |
| **(Net financial assets)** | **(425.1)** | **(228.0)** |
| **Total net equity** | **1,570.6** | **1,267.4** |
| **Total net debt and equity** | **1,145.5** | **1,039.4** |

The change in intangible assets, which includes the investments made in new product development, refers mainly to the Eversys Group business combination.

In 2021 the Group made investments totaling €132.3 million (€89.5 million in 2020), of which €29.1 million relative to new leases, €87.4 million relative to property, plant and equipment which includes the progress made on the innovation center/new headquarters and the improvements made at the plants in Romania, Italy and China.

Net working capital was negative for €8.6 million at 31 December 2021 (vs. €103.2 million at year-end 2020).

Net operating working capital amounted to €199.7 million (6.2% of revenues), higher both numerically and as a percentage of rolling revenues compared to 31 December 2020 (€247.2 million or 10.5% of revenues). The trend in net operating working capital reflects the good results achieved in the management of receivables with a reduction in average days sales outstanding and the positive dynamic in trade payables which made it possible to offset the impact of the increased inventory explained by the safety stock needed in light of the supply-chain issues.

(*) As required by IFRS 3, the balance sheet figures at 31 December 2020 have been restated to reflect the definitive accounting of the Capital Brands business combination.

Net financial position as at 31 December 2021 includes € 80.8 million in net financial liabilities (net financial liabilities equal to € 75.8 million at 31 December 2020) relating to the fair value of derivatives and the financial debt connected to business combinations, pension fund and financial liabilities for leasing.

Details of the net financial position are shown below:

| (€/million) | 31.12.2021 | 31.12.2020 (*) |
|---|---|---|
| Cash and cash equivalents | 1,026.1 | 662.9 |
| Other financial receivables | 302.1 | 243.0 |
| Current financial debt | (292.6) | (240.6) |
| **Net current financial position** | **1,035.6** | **665.3** |
| Non-current financial receivables and assets | 70.5 | 70.0 |
| Non-current financial debt | (681.0) | (507.3) |
| **Non-current net financial debt** | **(610.5)** | **(437.3)** |
| **Total net financial position** | **425.1** | **228.0** |
| *of which:* | | |
| *- positions with banks and other financial payables* | *505.9* | *303.8* |
| *- lease liabilities* | *(75.9)* | *(65.8)* |
| *- other financial non-bank assets/liabilities (fair value of derivatives, financial debt connected to business combinations and pension fund)* | *(4.9)* | *(10.0)* |

The net financial position, which reflects the impact of the recent acquisitions, came to a positive €425.1 million at 31 December 2021 (versus €228.0 million at 31 December 2020).

A few, specific financial items are included in the net financial position, comprising mainly the fair value measurement of derivatives, the residual debt for business combinations and pension fund transactions which had a net negative balance of €4.9 million at 31 December 2021 (negative €10.0 million at 31 December 2020).

The item also includes lease liabilities recognized in accordance with IFRS 16 which amounted to €75.9 million at 31 December 2021 (€65.8 million at 31 December 2020).

Net of these items the net financial position with banks came to a positive €505.9 million (€303.8 million at 31 December 2020).

Despite its sound, solid financial situation, in 2021, as part of its strategy to extend the average maturity of its debt and take advantage of the favorable market conditions, the Group decided to increase and diversify financial resources by signing agreements for three loans totaling €250 million.

In April 2021 another €150 million tranche of the USPP, maturing in 2041, was issued and underwritten by a leading US financial group.

The resources gathered will be used to meet operating needs, as well as the repayment of debt maturities.

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

| (€/million) | 2021 | 2020 (*) |
|---|---|---|
| Cash flow by current operations | 496.9 | 352.9 |
| Cash flow by changes in working capital | 5.8 | 114.5 |
| **Cash flow by current operations and changes in NWC** | **502.6** | **467.4** |
| Cash flow by investment activities | (132.3) | (89.5) |
| **Cash flow by operating activities** | **370.3** | **377.9** |
| **Acquisitions** | **(129.4)** | **(333.3)** |
| Dividends paid | (80.8) | (80.8) |
| Cash flow by treasury shares purchase | - | (14.5) |
| Stock options exercise | 7.1 | 21.5 |
| Cash flow by other changes in net equity | 30.0 | (20.5) |
| **Cash flow generated (absorbed) by changes in net equity** | **(43.7)** | **(94.4)** |
| **Cash flow for the period** | **197.1** | **(49.8)** |
| Opening net financial position | 228.0 | 277.8 |
| **Closing net financial position** | **425.1** | **228.0** |

Operating cash flow and the movements in NWC reached a positive €502.6 million in 2021 (vs. €467.4 million in 2020), due to the increase in profitability and good management of working capital, above all with regard to trade payables and receivables.

(*) As required by IFRS 3, the balance sheet figures at 31 December 2020 have been restated to reflect the definitive accounting of the Capital Brands business combination.

# Operations and supply chain

In terms of manufacturing, 2021 was still characterized largely by the management of the problems connected to the pandemic which impacted both internal production and external supply, between Europe and China, due to the global raw materials crisis.

Despite the unfavorable scenario, the Group achieved very positive results and guaranteed high volumes across the entire range of products.

A significant contribution came from the new plant in Romania, which was operating at capacity, dedicated to the production of food preparation items, including handblenders (the range of which was expanded following the introduction of the new Braun MQ7). During the year the start of the project to expand one of the two Chinese production sites was confirmed with a plan that calls for a 30,000 square meter increase in the surface area to be completed by 2023.

With regard to production, important investments in automation and digitalization continued in order to guarantee high quality standards and greater efficiency.

More in detail, the Group received important recognition for the Italian production facility in Mignagola (TV), which was included in the World Economic Forum's Global Lighthouse Network as a result of the Industry 4.0 solutions adopted.

As for the supply chain, it became necessary to revisit a few processes and to improve the perception that clients have of the service in a post-pandemic context. The Group, therefore, launched a global program to revise the forecasting and planning processes in order to improve service by using more flexible planning solutions (demand, production, procurement) and the implementation of new systems, giving preference to automation in order to obtain greater efficiency.

# Research and development - Quality control

In 2021 R&D continued to invest significantly particularly in digital technologies and connectivity with a growing focus on shifting the approach from a product experience to a consumer experience.

The coffee products offer was strengthened by the introduction of a new platform with "only coffee" and "single use milk" solutions, present in the new fully automatic model Magnifica Evo, launched in the fourth quarter, which is compact and features a new design.

In addition to strengthening the presence of the Maestro and Prestige models in new geographies, the family of manual La Specialista machines was expanded following the launch of the new Arte model, a new compact model which, thanks to the combination of a manual machine with an integrated coffee grinder, provides a better consumer experience.

In food preparation, a platform which uses a learning system to include an even greater number of recipes in the machines, accessible in all languages, was launched. 2021 also saw the launch of a new range of kitchen machines, the Titanium Chef Baker, which offers integrated weighing scales at what is still a competitive price.

In Comfort, given the growing attention to healthy environments, a new air treatment system with UV-C filters was introduced, effective against virus and bacteria (90%) and equipped with Eco Real Feel technology which optimizes energy use and the consumer's perceived level of comfort.

In terms of quality control, the Group completed the renewal of the three-year corporate certification of the Quality/Environmental System and, on a local level, obtained ISO 9001/14001 certification for the new plant in Romania and the production facility of the newly-acquired Eversys, as well as ISO 22000 (Food Contact) certifications for the plants in Italy and Romania.

# Communication activities

In 2021 promotional activities and communication were key for the Group which invested in high-impact campaigns carried out using digital channels and social media, as well as more traditional means.

With regard to the De'Longhi brand, an important milestone was reached in 2021: the first global launch of a communication campaign starring Brad Pitt, chosen as the brand's ambassador for espresso coffee machines. The campaign's launch video was directed by Oscar winner, Damien Chazelle, who used the cinematography of Linus Sandgren and music by Justin Hurwitz (both Oscar winners).

For a few single markets, like China, the campaign was customized in order to better interpret local tastes and imagery. For the Chinese market Hu Ge, an actor and singer who is very popular on all of China's social media platforms, was chosen to act as the testimonial. In this instance the campaign was launched on a specific day called "Hay Box" and continued in order to support sales on 11/11.

In addition to the TV advertising spot, the "Perfetto" campaign entailed intense PR activity, a huge presence in the press and on billboards, along with impressive displays at retailers. The results have been impressive in terms of gaining market share and increased visits on the e-commerce site which, in the fourth quarter of the year, were almost two times higher than in the same period of 2020.

As for the new social media strategies, a new Facebook page was launched, as was a new Instagram account dedicated to the brand with the involvement of more 250 influencers, active both globally and locally. The investments made it possible to acquire new followers, increase interaction and, above all, improve the perception of the brand as more of a lifestyle brand.

The DeLonghi Coffee Lounge platform, already present in France, was expanded to include other markets (UK, Italy, Germany and Australia); this is an online platform used by consumers to buy coffee from more than 70 coffee roasters worldwide and, at the same time, find information about the Group's machines.

The editorial content found on the website was particularly successful with coffee lovers who, above all, appreciated the videos of the "Behind your Coffee" series in which experts share their secrets or tricks to obtaining the perfect drink.

In a cultural zone of Sydney, Australia, in November the concept of Coffee Lounge was transformed into a physical space with the opening of a location dedicated entirely to De'Longhi where the visitor could have a complete "coffee experience" experimenting and choosing from among the various types of coffee made with different machines.

Lastly, the Breakfast collection was expanded with the launch of the Ballerina line, complete with kettles and toasters inspired by the Murano glassworks.

Looking at the Kenwood brand, in 2021 important investments were made in the "Kenwood CAN" communication campaign which is based on a message that celebrates creative cooking and the many possibilities that the food preparation products provide. More in detail, the first social media based campaign was used to launch the new Titanium Chef Baker model in order to reach a new target of consumers, the millennials.

More digital content was produced including, for example, videos of recipes; in 2021 the messages strived to reflect the new trends focused on healthy eating, vegetarian/vegan diets, sustainable consumption, in order to engage a vaster audience.

The launch in three key markets of the new e-commerce platform based on a DTC business model which made the entire purchase process easier for the consumer marked an important achievement.

2021 was Braun 100th anniversary celebrated, in partnership with P&G for the personal care segment, with an important online and offline communication campaign and the sale of a few limited edition models which represent the idea of excellence in design embodied by the brand.

Another campaign called "Hate waste. Love imperfect" was also developed which focuses on the ways to use products and prepare food, while emphasizing the very current topic of sustainable consumption and waste reduction.

During the year all the launches of new models were supported by specific communication campaigns, while investments in digital continued, particularly in the website braunhousehold.com.

# Human Resources

Here follows a detail of the average workforce in 2021:

| | 2021 | 2020 |
|---|---|---|
| Blue collars | 6,694 | 5,746 |
| White collars | 3,074 | 2,753 |
| Managers | 301 | 279 |
| **Total** | **10,069** | **8,778** |

The Group had an average of 10,069 employees in 2020, an increase of 1,291 heads compared to 2020. The change is attributable to the Capital Brands and Eversys Group acquisitions with an average of 283 employees overall, while the remainder refers to personnel at production facilities.

The health crisis continued to be a critical issue which required the implementation in all the Group's locations - headquarters, commercial branches and production facilities - of an important series of actions which aimed to ensure maximum security and the safety of its employees, while, at the same time, guaranteeing business continuity.

When possible, remote working was used but utilization changed over the months, based on the severity of the measures adopted in the different Countries.

In addition to the emergency measures, in 2021 the Group also worked on important projects relating, specifically, to the professional development of employees and talent acquisition.

At the end of 2021 the Group's Linkedin page, launched officially in December 2020, had 50,000 followers; through the use of social media visibility was given to the positions and opportunities offered by the Group.

In order to attract talent, partnerships with important universities were developed further and the first "International Graduate Program" was launched.

The welcome events, OnBoardDays, dedicated to new hires were held virtually for the second year in a row with the involvement of around 400 new resources.

During the year, the activities focused on the development of soft skills also continued.

At the same time, a learning path dedicated to fairness, diversity and inclusion was also begun which started by looking at gender equality, analyzing the pay gaps between the male and female populations.

In October 2021 the fourth edition of the engagement survey "Your Voice" was completed. As in prior years, participation was very high. Overall, despite a context rendered more complicated by the pandemic, the survey confirmed the trend of gradual improvement in all the factors analyzed.

# 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 2022).

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.

# R

# 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 an accounting policies manual, 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 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 the Corporate Governance Code for Listed Companies), the Issuer undertook a project for the development and monitoring of a structured ERM model in order to effectively manage the main risks to which the Issuer and the Group are exposed.

During 2021, activities for implementing this Enterprise Risk Management (ERM) project continued. ERM is aimed at streghtening the risk control and management system by mapping the main risks to which the Company is exposed on the basis of the Group value chain, identifying the inherent and of the related residual risk and assessing and implementing action plans for their elimination/mitigation. Furthermore, the Internal Audit Director and the Officer Responsible for Preparing the Company's Financial Reports continued the work for specifically and analytically governing the ERM risk management system, through some additional activities.

In 2021 this activity continued by updating existing risks, the main strategic risks identified by the Chief Executive Officer, the analysis of the perimeter of the Group's strategically important foreign branches, as well as mapping the risks perceived by the Managers of audited branches.

A list of risks connected to sustainability was also included in the ERM.

This activity is part of the gradual inclusion of issues relating to environmental and social sustainability, as well as governance, in the company's 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 sort.

Climate change is included among these new risks. Toward this end, in 2021 the risk perceived by the Group's main companies relative to the possible impact that climate change could have on the business was mapped. In 2022 this mapping will be expanded to include all the Group's branches.

## 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 (for a complete analysis of risks please refer to the ERM).

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.

The principal factors refer to:

- trends in consumption;
- cost of raw materials;
- interest and exchange rates;
- any changes in policies introduced in some important markets (see recent and potential regulatory changes in the United States as regards trade, economic, environmental and tax agreements and the so-called "Brexit" in Great Britain);
- any disorder, tumult and strikes or any other kind of demonstration;
- any outbreak and/or serious health issues (see the current situation with reference to the Coronavirus crisis).

The global health crisis, the economic scenario and the difficulties in anticipating economic cycles, energy prices (oil, above all), the prices and scarcity of raw materials (plastic and copper), the ongoing political crises and conflicts (particularly the situation in Ukraine/Russia which has worsened considerably in the last few days), the decided increase in transportation costs, the political and economic changes in the United States and Great Britain (Brexit) could, together with the other factors referred to in this section, have a significant impact on the Company's results and financial position.

De' Longhi periodically monitors aforesaid economic trends in order to be able to implement any necessary and timely strategic actions.

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 (production, the supply chain and/or product sales).

The Group cannot predict these phenomena but, leveraging on past experience, it is able to react and implement all the measures needed to limit the consequences (as was the case in 2020/2021 when, because of 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 policies 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).

The occurrence of adverse political and economic events in the markets in which the De' Longhi Group operates (and particularly in emerging markets), could have adverse economic and financial consequences for it.

**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 trade, furthermore, is gradually becoming more and more concentrated in a few international players in some of the main markets, also due to the exponential growth of e-commerce business and its main players; in order to counteract this concentration, the strength of the Group's brands, as well as the ability to propose a compelling commercial offering, which is proving to be very important.

Therefore the Group must adopt effective strategies in order to combat this phenomenon.

If the Group were unable to adapt effectively to the external context, this could have an adverse impact on the Group's business prospects, as well as on its economic performance and/or 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. By way of confirmation, market shares are increasing in the main markets and product lines in which the Group operates.

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. Hedging activities are defined when the yearly budget is approved (or when the three-year plan is approved). The purpose of hedging is to protect - at individual company level - the future revenues/costs contained in budgets and/or long-term plans; furthermore also trade and financial receivables/payables are protected.

The level of coverage relative to revenues and costs is determined including based on market trends and cost/benefit analyses.

The principal currencies to which the Group is exposed are the US dollar (in which a part of the costs relative to raw materials, parts and finished products are denominated) the chinese renminbi and the currencies of the main export markets (the British pound, the US dollar, the Japanese yen, the Australian dollar, the Ruble, etc.).

Significant fluctuations of the main currencies might represent a risk of higher costs due to the Group foreign companies financial statements consolidation (so-called consolidation risk).

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.

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.

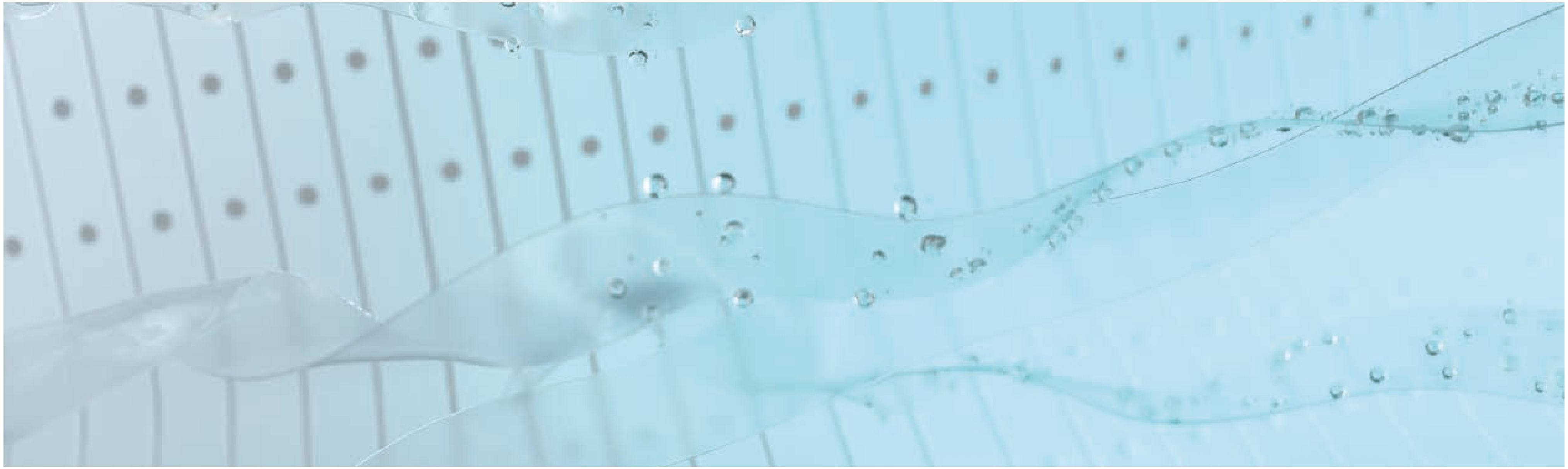
Lastly, the Group defends its reputation with suppliers in their dealings with employees. Such caution is duly reflected in contractual dealings and furthermore, every supplier is given a copy of the De' Longhi Ethical Code governing all its activities.

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.

At the date of the present report, the Group does not have any contracts to hedge the risk of fluctuations in commodity prices. There is also a possible risk linked to the dependence on one supplier for a few types of components of strategic production; in order to address this risk the Group has begun searching for secondary suppliers and to define an alternative strategy for purchasing/production.

Finally, there is a risk deriving from market situations characterized by anomalous trends in the supply of raw materials and components, against which the Group takes timely corrective actions in



order to guarantee the supply chain and protect margins.

**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 high turnover of the Chinese manufacturing workforce, the difficulty in finding Chinese production personnel combined with higher payroll costs following the Chinese government's decision to raise the minimum wage significantly. 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).

About Romanian facility, where the production has significantly increased during last years (currently there are two production plants operating in two distinct areas also to maximize the availability of personnel), thanks also to the huge investments done, we can see a sharp rise in the workforce demand and consequently in the labor costs; in view of such complexity, the De' Longhi Group has started to find and maintain work resources, in collaboration with external firms too.

Nevertheless, any problem in finding the necessary workforce might lead to a slowdown in production and have an adverse impact on the Group's business, economic performance, assets and liabilities and financial position.

The health crisis was also a critical factor for human resources which determined the course of 2020/2021.

In the face of a health crisis (similar to what happened with the Covid-19 crisis, descibed above), in all its offices and plants, the Group defines and implements an important series of actions aimed at ensuring the maximum security and safety of its employees, while, at the same time, guaranteeing 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 particular, if the Group did not have an adequate quantity of products it could run the risk of failing to adequately and promptly meet customer demand; if, however, the quantity of such products exceeded orders, the Group might face the risk of unsold stock or higher stock than expected with subsequent related charges.

Another risk is the efficient management of the supply chain that could affect the adequacy of customer service.

The Group currently has a logistics centre that ensures careful and timely planning and management of every stage of the supply chain and implemented a program aimed to the improvement to the supply chain procedures.

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.

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.

**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 formal procedures for selecting and assessing customers, for defining credit limits, for monitoring expected receipts and for their recovery, and involves taking out insurance policies with major insurers, and in some cases requesting additional guarantees from customers, principally in the form of sureties.

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 10% 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).

Anyway, to this day, the Group has a widely positive net financial position and medium-term bank credit lines and short-term credit lines (typically renewed on an annual basis), which are optionally used to finance working capital and other operating needs.

The Group has also entered a revolving agreement for the factoring of trade receivables without recourse, thus granting an optimization of receipt cash flows.

About the interest rate risk, at 31 December 2021 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 characterized by very low interest rates. This risk is managed centrally by the same team that manages currency risks. Nevertheless, sudden fluctuations in interest rates could have an adverse impact on the Group's business prospects, as well as on its economic performance and/or financial position.

At the date of this report, the Group has three hedging contracts to protect the medium/long term loans from the interest rates fluctuation risk.

**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 2021, 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 controls over its financial reporting, the Group has implemented a system of administrative and accounting procedures and operations that include:

- an accounting policies manual;
- accounting policy instructions and updates;
- other procedures for preparing the consolidated financial statements and periodic financial reports.

The Group'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 audit within their own authority. Possible deficiencies in maintaining adequate processes and administrative-accounting and management checks may result in errors in Group corporate reporting.

**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 31.12.2021 | Profit for 2021 | Net equity 31.12.2020 | Profit for 2020 |
|---|---|---|---|---|
| **De' Longhi S.p.A. financial statements** | **605,379** | **107,099** | **567,417** | **88.710** |
| Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments | 583,331 | 224,690 | 465,275 | 121,064 |
| Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes | 436,660 | (5,634) | 274,522 | (1,948) |
| Elimination of intercompany profits | (55,097) | (14,406) | (40,128) | (8,227) |
| Other adjustments | 322 | - | 268 | 534 |
| **Consolidated financial statements** | **1,570,595** | **311,749** | **1,267,354** | **200,133** |
| Minority | 2,018 | 651 | - | - |
| **Consolidated financial statements-Group portion** | **1,568,577** | **311,098** | **1,267,354** | **200,133** |

# Treasury shares

At 31 December 2021 the Group, throught the parent company De' Longhi S.p.A., held 895,350 treasury shares for a total of €14,534 thousand, purchased pursuant to the buyback program approved during the Ordinary Shareholders' Meeting held on 30 April 2019 and subsequently renewed on 22 April 2020 - after revoking the previous authorization granted by shareholders, for the unexecuted part - for a period of up to a maximum of 18 months (namely through 22 October 2021).

# 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 9 June 2004, for the three-year period 2019-2021.

# 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 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.

## Introduction

Based on Legislative Decree n.254/2016, as amended, 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. This statement must provide information about a series of topics which help to understand the company's activities, performance, results and impact. More in detail, Legislative Decree 254 calls for non-financial reporting on topics relating to five areas: environmental protection, social responsibility, human resources, protection of human rights, as well as anti-corruption and fraud issues.

A description of the main risks, generated and/or undertaken, the entity's policies, the relative performance indicators, as well as the business and organizational models used must be provided for each of these areas.

Paragraph 1073 of the Budget Law n.145/2018, which took effect as of 31 December 2018, also amended Legislative Decree 254 and in addition to disclosing the main risks, entities are also required to describing how the risks are managed.

In accordance with Decree 254, the Consolidated Non-Financial Statement 2021 provides a description of the non-financial qualitative/quantitative performances of the De' Longhi Group 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 and objectives, organizational and business models, indicators (for more information on the material topics and how they are defined please refer to 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 the screen based exchange (Mercato Telematico Azionario or MTA) managed by Borsa Italiana, is the holding company of a group of companies active in the manufacture and distribution of coffee making products, food preparation and cooking machines, air conditioners and heaters, as well as home care products.

The Group operates in international markets through 7 brands: De'Longhi, Kenwood, Braun, Ariete, Nutribullet and Magic Bullet (the latter two as a result of the acquisition in 2020 of the American company Capital Brands Holding Inc., active in the personal blenders segment), as well as Eversys, a Swiss brand acquired in 2021, active in the professional coffee machine segment).

## The impact of Covid-19 and management by the Group

Similar to the prior year, 2021 was also characterized by very unstable global market conditions due to the health and economic crises that impacted the management of the Group's operations.

In an environment of prolonged uncertainty, the Group's priorities were always twofold: the maximum protection and safety of all its people and the continuity of its business. With regard to first aspect, the Group acted as it did in 2020, when the experience managing the pandemic at the Chinese plants allowed the De' Longhi Group to react quickly to a global scenario without precedent in recent history. In 2021, therefore, the use of PPE inside offices and plants was still mandatory, as were temperature checks before entering. Constant sanitization of the workplace, social distancing, continuous communication and surveillance also continued. Workplace entrances were subject to the local laws of the Countries in which the Group operates; in Italy, for example, automated machines were installed at the entrances of the offices and plants which guaranteed access only to those employees with proof of anti-Covid 19 vaccinations or a negative Covid-19 test result. In 2021 remote working continued where the job allowed and a policy governing the relative terms and methods is in the process of being approved; different measures were adopted for the production facilities which are described in other sections of this Non-Financial Statement.

These measures made it possible to guarantee the continuity of the Group's operations which, overall, did not experience significant interruptions in its operations due to the health crisis. What did prove to be a challenge, above all in the last few months of the year that just ended, was the lack of materials and parts on a global level. The problems to overcome relative to procurement and logistics were, therefore, numerous and varied, but the Group showed its usual resilience and once again, despite the numerous obstacles, posted strong growth. This ability to adapt and react to the difficulties made it possible for the Group to continue to meet the growing market demand, confirming its leadership in the main markets and product segments. As was the case in 2020, in 2021 the Group's people received a special bonus at the end of the year in recognition of their commitment and dedication. Once again, the Group succeeded in reacting to another challenging year with agility, demonstrating yet another time to possess a resilient business model, capable of protecting the health and safety of its people, as well as guaranteeing business continuity: testimony to all of this is the limited number of cases recorded by the Group's personnel during the year, as well as the manufacturing and sales results achieved worldwide.

## De' Longhi's sustainability path

A number of years ago the De' Longhi Group embarked on a path characterized by a growing awareness of the issues relating to sustainability. This path, which started with the publication of the first Consolidated Non-Financial Report in 2017, helped shape a management model for non-financial topics and define its Sustainability goals for the future. Consistent with the company strategy adopted, the Group set the goal of defining concrete and coherent actions with a view to mitigating and improving its impact and creating long-term value for the company and its stakeholders.

2021 marked a new chapter in the Sustainability path, the pursuit of sustainable success. It is, in fact, in light of this that the De' Longhi Group rethought its sustainable governance which now comprises the following bodies:

- the **Control, Risk, Corporate Governance and Sustainability Committee**, already operational in 2019, is a Board committee with proactive guidance and advisory functions;
- the **Sustainability Steering Committee**, also already operational in 2019, comprised of different department managers, responsible for defining the sustainability strategy, as well as the relative strategic plan;
- three **Focus Groups** - one for each of the Group's sustainability pillars (People, Products and Processes). A Team Leader was selected who is responsible for the supervision/implementation of projects included in the plan relative to her own area of expertise;
- the **Group's Sustainability Director**, appointed in 2021.

In 2021 the Group also analyzed the main ESG best practices worldwide, ESG requisites and the requests from clients and partners in order to define the areas of commitment that the Group intends to focus on in the future. The results of these requests and the work done are embodied in a Manifesto (targeting all Group personnel), which cements the renewed commitment to sustainability and aims to create a transversal commitment for the entire internal community. Lastly, the Group identified, as well as started, the single projects that the Group intends to work on over the next few months while, at the same time, launching a few strategic partnerships with Italy's main universities.

## 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 (namely by product line) 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 solution to be launched on the market, the work continues with 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 Cina 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, manufacture of products is plant specific.

Once production is completed, the machines manufactured are tested: 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 by the Group. The quality controls are done based on specific audits which also include a specific process for verifying the quality of the OEM products.

Once the quality control check has been passed, the new products are delivered and stored at the Group's logistics hubs, strategically located worldwide. The finished products are, then, distributed through the Group's commercial network by providers of logistics services.

Customer Care provides information and technical assistance to all end consumers during both the purchase and after sale phases.

## The Group's stakeholders

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 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, shaped by the Group's Code of Ethics, in order 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 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 sponsorships | Periodic meetings | Sponsorships, social impact, contribution to the community |
| Consumers | Satisfaction questionnaires, test panels, Contact Centers (voice channels, e-mails, 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 and assessment, periodic meetings | Way in which supplier relationships are managed |
| Future generations/ environment | - | Reduce emissions and fight climate change |
| Investors, 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/ laboratories | Dedicated meetings, partnerships on different research projects | Recruiting and retaining talents, 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 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:

- **contributes substantially** to one or more of the environmental objectives set out 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;
- **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 OECD, the United Nations and the International Labor Organization);
- **complies with the technical criteria set by the European Commission** which, based on scientific evidence, specifies the minimum conditions that need to be satisfied in order for the contribution made by an economic activity to one of the environmental targets set, to be considered substantial. The regulation identifies, for each activity, specific technical criteria for each of the environmental targets.

Based on the Regulation, in the first year of reporting (2021) any undertaking subject to an obligation to publish a Non-Financial Statement shall include in this statement the proportion of turnover, investments (**CapEx**) and operating expenses (**OpEx**) considered eligible and non-eligible activities as defined under the European Taxonomy. 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":[2] more information relative to any additional elements will be provided as of the next year of reporting and will contribute to determining, once the eligible activities are determined, the ones aligned with the Taxonomy and, therefore, formally classified as "eco-sustainable". To date, a list of the potentially eco-sustainable activities and the technical criteria have been defined for only two of the targets linked to climate change. The list of the activities connected to the remaining targets will be published in 2022.

The De' Longhi Group carried out an in-depth analysis of its activities in order to identify which could be classified as potentially capable of contributing to the mitigation and/or adaptation of climate change (the ***"eligible"*** activities). Based on this analysis one of the revenue lines could be considered for the purposes of determining the KPI Turnover, namely the one relative to the sale of portable air conditioners, designed to guarantee the cooling of a room while, at the same time, limiting energy consumption. With regard to the Taxonomy specifically, the decision was made to associate this product with activity 3.5, related to the manufacture of energy efficiency equipment for buildings. The classification of the revenues stems from the definition of the activity using one of the technical criteria provided, namely item f), which establishes that "appliances" may be considered "eligible" activities and, therefore, recognizing the logical connection between the air conditioners and appliances that support the energy efficiency of buildings. More specifically, even if the product is not actually made at one of the Group's production facilities, it is manufactured by an "Original Equipment Manufacturer" (OEM), based on the technical specifications, including relative to energy performance, defined by De' Longhi.

The percentage of Turnover, CapEx and OpEx related to the Group's Taxonomy-eligible activities, along with the percentage deemed Taxonomy-non-eligible are shown below.

| | 2021 Eligible amount | 2021 non-eligible amount |
|---|---|---|
| **Turnover** | 4.5% | 95.5% |
| **CapEx** | 1.0% | 99.0% |
| **OpEx** | 1.4% | 98.6% |

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 activities is provided below. The methods of calculation, the composition in relation to the different activities provided for in the EU Taxonomy and the relative measurement 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.

Administrative structures - Group accounting, 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 financial statements, both consolidated and statutory.

Furthermore, to date no investment plans which satisfy the requirements set out in paragraph 1.1.2.2 which would allow for the plans to be included in CapEx and OpEx have been draw up. For this reason, the two KPI do not include any elements attributable to a plan aimed at the expansion of eligible and potentially Taxonomy-aligned economic activities.

## Turnover

### Numerator

The numerator was calculated based on the De' Longhi Group's financial reports and separating the portion of revenues generated by the sale of portable air conditioners net of discounts, rebates, VAT and additional taxes.

### Denominator

The denominator was determined based on the accounting entries found in the De' Longhi Group's consolidated financial statements for FY 2021. The items of the Group's consolidated financial statements included in the calculation of the denominator refer specifically to the sale of goods and services, net of discounts, VAT or any other direct tax, in order to consider solely the revenues derived from the Group's core business: more specifically, the item included refers to *"Net Sales"* which already calls for the separation of components attributable to cash discounts and rebates.

2 Art. 1, Delegated Act 2178/2021.

## CapEx

### Numerator

The components of the numerator were determined based on a study of the management reports for each production plant and the parent company in order to identify the 2021 additions relating to capitalized expenses incurred relative to eligible economic activities. More in detail, the tangible assets used in production were mainly taken into account.

The composition of the numerator and the details for each production facility are provided below:

- **China:** the purchase of assets relating to activity 3.3) Manufacture of low carbon technologies for transport, to activity 7.3) Installation, maintenance and repair of energy efficiency equipment and activity 7.5) Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings were taken into account;
- **Romania:** the purchase of assets relating to activity 7.6) Installation, maintenance and repair of renewable energy technologies and the purchase of assets and work in progress in 2021 relating to activity 7.5) Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings were taken into account;
- **Italy:** the increases in IFRS leased assets relating to activity 6.5) Transport by motorbikes, passenger cars and light commercial vehicles and investments related to activity 7.4) Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) were taken into account.

### Denominator

The denominator was determined based on the increases in value during 2021 of tangible, intangible and right of use of assets (as per IFRS 16). The amounts taken into consideration were used without considering amortization, depreciation, impairment and changes in fair value, in accordance with the Regulation.

Furthermore, in 2021 a new production facility was purchased in Switzerland which qualified as a business combination for the Group. In accordance with the law, the increase in tangible and intangible assets stemming from the acquisition, excluding goodwill, were also taken into consideration.

## OpEx

### Numerator

The components of the operating costs associated with the purchase of eligible activities consisted in the thorough analysis of the management reports for each production facility.

More in detail, the costs recognized in the income statement were examined in order to identify the eligible items pursuant to the Regulation.[3] The following expenses for each production plant were identified:

- **China:** costs relative to the maintenance related to activity 7.3) Installation, maintenance and repair of energy efficiency equipment;
- **Romania:** costs relative to the maintenance and repair related to activity 7.6) Installation, maintenance and repair of renewable energy technologies.

### Denominator

The denominator was calculated based on consolidated operating items: more specifically, the line items in the financial statements relating to "Costs for services":

- Third party maintenance;
- Leasehold improvements;
- Technical costs.

3 See paragraph 1.1.3.2 of Annex 1 - Delegated Act 2178/2021.

## Scenario and risks

For information on the ethics and compliance risks, as well as the relative risk management, please refer to the section "Risk factors for the De' Longhi Group", specifically paragraphs 18 (Compliance and corporate reporting risks) and 19 (Related parties).

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

Group compliance with current law and regulations is overseen by the Legal and Internal Audit Divisions, the Group's Officer Responsible for preparing the Company's Financial Reports, together with Quality, (§Product quality and innovation).

More in detail, every year Internal Audit and the Financial Reporting Officer check and assess the control system, and **audit the accounting processes and procedures**, as well as compliance with Law 262 relating to financial reporting processes with a view to ensuring reliable, complete, accurate and timely Group accounting and administrative procedures consistent with Group administrative and accounting policies. The audits are carried out with a view to gradually covering all the companies and, at the same time, focusing on the most relevant ones (identified using economical criteria) based on an audit plan coordinated with the Group's Financial Reporting Officer and the Control, Risk, Corporate Governance and Sustainability Committee.

Internal Audit and the Group's Officer Responsible for preparing the Company's Financial Reports also supervise the Enterprise Risk Management (ERM) system, implemented and updated over the years by the Group, which focuses on the assessment and monitoring of company risks. As part of this project, already in 2020 a number of activities were carried out in order to integrate the ERM matrix with the risks perceived in each area by local and international management, and, more generally, the country of operation. In 2020 work was also done on the creation of a dynamic Risk Management platform which will be used by the Group's legal entities. As planned, the roll-out phase of the platform began at the beginning of 2021 and involved the Group's most relevant companies, as well as headquarters; the roll-out phase is expected to last for two years and, therefore, all the remaining Group companies will be involved. It also allowed to include in the ERM a larger number of risks connected to sustainability such as the one related to climate change. This platform is dynamic and allows the personnel involved to identify the risks in a timely and independent manner, under the strict supervision of Internal Audit and the Group's Officer Responsible for preparing the Company's Financial Reports, 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 also 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 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 abuse of authority and corruption.

The Group also ensures that, in addition to total transparency and compliance, **models of conduct** have been defined and implemented with a view to minimizing the risk of acts which are subject to sanctions under the law. In order to standardize the Governance policies across all the Group companies, in 2018 De' Longhi also adopted the **"Corporate Governance Guidelines"** which call for adhesion to the Group's Code of Ethics and define a system for the delegation of spending authority, the implementation of these guidelines was entrusted to the local heads of administration.

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 which was last updated in 2021.[4] The Group had already adopted an internal management system which automatically monitors the flow of information and the processes controlled by the system used to prevent the crimes indicated in Legislative Decree 231 in 2019.

In order to monitor Group transactions with related parties and the relative risk, in accordance with CONSOB Regulation n. 17221 of 12 March 2010, the Parent Company has also defined a procedure for the related party transactions subject to specific rules and approval based on the degree of materiality.

## Policies and objectives

The De' Longhi Group's **Code of Ethics**, updated on 31 July 2018, 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. These standards must aspire to standards and values like legality, transparency, fairness, integrity and professionalism, as well as protection of privacy. Similar to 2020, in 2021 brief induction sessions were held during the year with all new hires who were introduced to the Code of Ethics and the 231 Model. The biggest novelty, already considered in 2020, relates to the launch of an information campaign targeting the Code of Ethics which was sent to all Group employees worldwide during the year who were to provide signed confirmation of having received and read the Code.

As part of the **Anti-Fraud Program** defined based on the guidelines of the Association of Certified Fraud Examiners (ACFE), in 2021 the Group is focusing on the areas in need of improvement that emerged in past years, with regard particularly to Group merchandising promotors, and further controls were set up on customers bonus and discounts management, on changes in data on ERP and on authorisation to payments to suppliers.

In 2021 use continued of the dedicated whistleblowing platform, completed in the previous year and thanks to which each employee, supplier and customer may file a report. In order to protect the identity of the whistleblower, the source of all the information provided remains anonymous; 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 Group members charged with analyzing and carrying out any further investigations of the reports received.

With regard to the implementation of this whistleblowing system, a notice was already sent in 2020 to all employees by the Chief Executive Officer when the platform went live on the Group's corporate website.[5] All of the reports received during the year were carefully reviewed and evaluated by the Committee: no significant reports have, however, been received to date.

Lastly, the Legal Division continued the work begun

4 In 2021 the 231 Model of both De' Longhi S.p.A. and De' Longhi Appliances were updated.

in 2020 on the definition of a master policy for the protection of data: the activities related to this cyber security plan continued regularly in 2021, as planned.

## Key figures

No violations of the anti-corruption laws were recorded in the three-year reporting period (2019-21).

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 2019-2021, is shown below.

In 2021 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 2019-21.

Likewise, during the three-year reporting period, no economic or in-kind contributions were made to political parties, their elected representatives or persons seeking to hold political positions.

As in the two-year period 2019-20 in 2021, no complaints relating to discrimination were filed.

No instances of human rights violations within the Group were recorded during the three-year period (2019-21).

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

| Category | Europe* | | | Americas & Asia-Pacific** | | | MEIA [6] | | | De' Longhi Group | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| **Number of people with whom the company's anti-corruption procedure and policies were shared** | | | | | | | | | | | | |
| Managers | 56 | 187 | 177 | 31 | 75 | 67 | 4 | 8 | 4 | 91 | 270 | 248 |
| White collars | 229 | 1,805 | 1,745 | 259 | 821 | 511 | 26 | 51 | 25 | 514 | 2,677 | 2,281 |
| Blue collars | - | 4,034 | 4,481 | 1,768 | 3,819 | 3,820 | - | - | - | 1,768 | 7,853 | 8,301 |
| **Total employees** | **285** | **6,026** | **6,646** | **2,058** | **4,715** | **4,398** | **30** | **59** | **29** | **2,373** | **10,800** | **11,073** |
| Commercial partners | 1 | - | - | 8 | - | - | - | - | - | 8 | - | - |
| **Employees who received anti-corruption training** | | | | | | | | | | | | |
| Managers | 51 | 35 | 22 | 6 | 8 | 9 | - | - | - | 57 | 43 | 31 |
| White collars | 209 | 282 | 326 | 76 | 26 | 114 | - | - | - | 285 | 308 | 440 |
| Blue collars | - | - | - | 5,280 | 7,560 | 9,355 | - | - | - | 5,280 | 7,560 | 9,355 |
| **Total employees** | **260** | **317** | **348** | **5,362** | **7,594** | **9,478** | **-** | **-** | **-** | **5,622** | **7,911** | **9,826** |

5 Use the following link to view De' Longhi's Whistleblowing page on the website: https://www.delonghigroup.com/it/governance/whistleblowing

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 APA. The statistics for the two-year period 2018-2019 are not available for offices located in Canada.

## Scenario and risks

In an international context, with highly diverse cultures and traditions, the De'Longhi Groups uses different methods to increase the sense of belonging and **personal satisfaction**, as well as protect health and the **safety of the workplace**.

The core values guiding the Group's people include ambition, courage, passion, expertise, heritage, teamwork and mutual respect: all of these principles contribute daily to encouraging employees to be loyal, to act fairly, with mutual trust, leveraging on the importance of diversity, eliminating any form of discrimination. The promotion and professional growth of its people are also shaped by these values, as is the need for a safe, healthy workplace, which is key to retaining and attracting resources and talent, as well as business continuity. All of this was seen clearly in De' Longhi's exceptional response to the COVID crisis that has characterized the last two years when the measures implemented to protect the health of workers contributed to ensuring the continuity of the Group's business and made it possible to avoid significant company shutdowns due to the spread of the pandemic.

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 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 Group management of human resources and related activities is assigned to a corporate Human Resources Management and Organization Division, which is coordinated by the Chief Corporate Services Officer; 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. Local HR departments are also responsible for 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 operational roles into three macro-clusters which in addition to having specific expertise, focus on the supervision of functional areas:

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

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

The global **Talent Acquisition and Employer Branding** division became fully operational in 2020 which allowed the Group to structure a more integrated recruiting process. A number of initiatives have been developed in association with the employer branding strategy focused on increasing the recognition of the Group globally, including: updating the People and Careers section of the corporate website and the introduction of a new global, corporate Linkedin page which substituted the previous pages dedicated to single countries and which in 2021 saw a significant increase in both followers and visitors. In addition, in order to booster the popularity of the Linkedin page, employees will be engaged as brand ambassador. Toward this end, projects were developed in partnership with Italy's best universities, like **Milano's Politecnico** and **Bocconi University**: as part of a strategic decision to strengthen the tie with the academic world, structured partnerships were developed aiming not only to attract and recruit the best talents, but also to increase the research and training carried out in partnership with the two universities.

As part of the partnership with Politecnico, the Group participated in a number of events and training courses connected to topics like innovation, research and development. With some universities an international **Graduate Program** was instituted which calls for the recruiting of new graduates from universities across Italy in order to offer them a 12-month working experience, half of which will be spent at the headquarters in Treviso and the other half in one of the Group's international branches. The goal at the end of this process is to offer a position to a young talent within the company, who may remain at headquarters, the international branch where she already spent six months or she could be assigned to one of the other Countries in which the Group is present. The program has already been a big success in terms of talent attraction, confirmed by the large number of curricula received from within Italy, as well as foreign Countries.

The fourth edition of the engagement survey **"Your voice: to make a difference"** survey, which gauges the level of satisfaction and engagement of the Group's employees, was carried out in 2021. The survey, which once again recorded a very high level of participation, showed that there has been a slight increase in the level of engagement with respect to the prior edition. This is clearly a positive result, particularly when you consider the survey was conducted during what were two very intense years for everyone, both in terms of work and psychologically. At the same time, the pandemic resulted in and accelerated a change in the way we work which is shifting towards a hybrid model that has positive repercussions for employee satisfaction: toward this end, De' Longhi is committed to drawing up a remote working policy for all the Group's organizations which clearly defines how work will be done in the near future.

The last few years have been characterized by an acceleration in the digitalization of the activities related to human resources, which already in 2019, had resulted in the implementation of a variable pay module within the SAP management system SuccessFactors. The PULSE platform, active already for several years, also allows Group employees to create personalized learning plans based on specific needs and access a catalogue of on-line courses available through e-learning. This mode of learning proved particularly vital during the two years when in-person training was impacted by numerous limitations: in 2021, in fact, remote learning methods were once again preferred. A number of channels and digital tools (like Google Meet and Zoom platforms, as well as digital whiteboards and instant surveys) were used. A digital version of the program weMake, which was supposed to be rolled out in 2020, was also designed in order to move forward despite the prolonged closure of office spaces.

***Digital Lab 2021*** represents another digital employee training initiative carried out in 2021:

consistent with company goals and challenges, the scope of this project was to develop employees' digital expertise and accompany the growth of the Group's e-commerce channel. The program involved hundreds of people worldwide, which were divided into two groups with customized training paths built based on the roles and expertise of the participants. Begun in June, the program is still underway. The first phase called for a series of webinars, at the end of which the participants were asked to fill out a survey which revealed a high degree of satisfaction.

The goal of **Diversity and Inclusion**, another initiative promoted by the Group in 2021 is to promote a systemic approach to guaranteeing compliance with the principles of equal opportunity and the elimination of discrimination. The project focuses on two areas: one which aims to understand the breakdown of the female presence within the organization, paying particular attention to any critical areas relating to gender pay gaps; the other, more qualitative, which focuses on the main stages of the women's work experience in the company, in order to identify the priorities and needs of each phase.

The Human Resources Division also guides the global **performance appraisal** process used to promote personal and professional growth (up to the middle management level), through the use of a dedicated system aimed at facilitating an open and constructive dialogue between the supervisor and the subordinate. This process was redesigned toward the end of 2020 tested during 2021 and will become fully operative in 2022. The innovation of the performance appraisal system involved many parties, from the Human Resources team through the Group's managers and employees, in order to gather feedback from a large group of stakeholders.

With regard to the ongoing improvement of the work-life balance, as well as the protection of the health and safety of employees, the Human Resources Division is assisted by people who have specific roles and are charged with monitoring compliance with health and safety regulations like, for example, the head and staff of the Prevention, Protection and Environment Department in Italy, Switzerland, China and Romania. These individuals are responsible mainly for assessing 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.

The responsibilities and procedures relating to health and safety are defined for the entire Group based on an organizational model which is in line with the international OHSAS 18001 "Occupational Health and Safety Assessment Series" standards.

Looking at comfort in the workplace, consistent with past years, further work was done on comfort of the workstations, focused on ergonomics, and further investments were made in automating processes along the production lines which reduce the employees' use of force.

The security system was also audited in 2020. Any incidents are managed locally by human resources and the legal division which, in certain instances, will also involve the Supervisory Board.

### Focus Covid-19: the measures taken to protect the Group's personnel

The protection of health and safety in the workplace was crucial in 2021, too, and was more complex given the need to also guarantee business continuity.

With regard to the white collar workers, similar to 2020, the Group had to adapt to remote working based on the infection rates in the different geographies, with a larger in-person presence in the offices as the government restrictions were eased. In accordance with the most recent government measures, in order to ensure faster and more accurate entrance checks, devices were installed which allow for a systematic control of the authorizations needed to enter, in accordance with domestic regulations.

Already in 2020 all the Group's production facilities underwent a profound reorganization, with the installation of plexiglass dividers to separate workstations, the mandatory use of PPE (masks and, where mandatory, gloves), the installation of hand sanitizer dispensers, the institution (in agreement with the labor unions) of double shifts which ensured a greater staggering of presences during the day and the reorganization of the cafeteria, all of which was coupled with the need to guarantee operational continuity. In 2021 the Group, once again, equipped itself with rapid swab Covid tests in order to be ready to act quickly in the event of any internal outbreaks. Testimony to the effectiveness of the preventive measures implemented by the Group, once again in 2021 there were no significant cases of contagion between colleagues in the workplace.

The spread of the pandemic also resulted in increased cleaning and sanitization activities (including the installation of hydrogen peroxide nebulizers in the main offices in Italy).

### Policies and objectives

The Group's Code of Ethics dedicates an entire section to the management of human resources which testifies to the increased focus on people, appreciated for both the professional and personal contribution they make every day to the achievement of the company's goals. Particular attention is paid to the recruitment of personnel which should be done with a view to equal opportunities for all through the professional and personal contribution of its people as part of a relationship based on integrity, fairness and mutual trust. The Code of Ethics also condemns undocumented working relationships, the use of child labor and any and all forms of forced labor. The Group avoids any and all forms of discrimination with respect to its employees and staff members, offering equal opportunities and professional advancement.

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, OHSAS 18001. At the plant in Sierre (Switzerland) a ISO 450001:2018 compliant policy is in place.

With a view to integrated management for all the companies of topics relating to human resources like for example, the compensation of the Board of Directors and the Executives with Strategic Responsibilities, the Group defined a formalized policy.

Furthermore, consistent with the process of standardizing processes across the Group, in 2019 a new Group MBO policy was adopted, which aims to further consolidate Group identity.

## Key figures

The Group had 10,352 employees at 31 December 2021, an increase of 10% compared to the prior year. This change is explained by several factors, including the acquisitions of Capital Brands and Eversys. Women represent 52% of the De'Longhi Group's workforce. 88% of the employees have permanent contracts, slightly lower than in the prior year (92%).

| Employees, by type of contract | Italy | | | Europe | | | Americas & Asia-Pacific | | | MEIA | | | De' Longhi Group | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| **Number of employees by contract type** | | | | | | | | | | | | | | | |
| Permanent positions | 1,577 | 1,651 | 1,708 | 3,084 | 4,284 | 4,624 | 2,551 | 2,621 | 2,710 | 61 | 51 | 58 | 7,273 | 8,607 | 9,100 |
| *women* | *611* | *646* | *676* | *1,765* | *2,617* | *2,776* | *1,209* | *1,250* | *1,273* | *25* | *22* | *23* | *3,612* | *4,535* | *4,748* |
| *men* | *966* | *1,005* | *1,032* | *1,319* | *1,667* | *1,848* | *1,342* | *1,371* | *1,437* | *36* | *29* | *35* | *3,661* | *4,072* | *4,352* |
| Temporary positions | 14 | 34 | 31 | 26 | 131 | 417 | 536 | 605 | 803 | 1 | 1 | 1 | 577 | 771 | 1,252 |
| *women* | *11* | *17* | *17* | *16* | *76* | *211* | *241* | *273* | *358* | *1* | *1* | - | *269* | *367* | *586* |
| *men* | *3* | *17* | *14* | *10* | *55* | *206* | *295* | *332* | *445* | - | - | *1* | *308* | *404* | *666* |
| **Total** | **1,591** | **1,685** | **1,739** | **3,110** | **4,415** | **5,041** | **3,087** | **3,226** | **3,513** | **62** | **52** | **59** | **7,850** | **9,378** | **10,352** |
| **Number of employees by contract type** | | | | | | | | | | | | | | | |
| Full-time | 1,472 | 1,567 | 1,637 | 3,028 | 4,302 | 4,784 | 3,074 | 3,214 | 3,484 | 61 | 51 | 58 | 7,635 | 9,134 | 9,963 |
| *women* | *506* | *549* | *594* | *1,715* | *2,601* | *2,789* | *1,438* | *1,512* | *1,613* | *25* | *22* | *23* | *3,686* | *4,684* | *5,019* |
| *men* | *966* | *1,018* | *1,043* | *1,313* | *1,701* | *1,995* | *1,636* | *1,702* | *1,871* | *36* | *29* | *35* | *3,949* | *4,450* | *4,944* |
| Part-time | 119 | 118 | 102 | 82 | 113 | 257 | 13 | 12 | 29 | 1 | 1 | 1 | 215 | 244 | 389 |
| *women* | *116* | *114* | *99* | *66* | *92* | *197* | *12* | *11* | *18* | *1* | *1* | - | *195* | *218* | *314* |
| *men* | *3* | *4* | *3* | *16* | *21* | *60* | *1* | *1* | *11* | - | - | *1* | *20* | *26* | *75* |
| **Total** | **1,591** | **1,685** | **1,739** | **3,110** | **4,415** | **5,041** | **3,087** | **3,226** | **3,513** | **62** | **52** | **59** | **7,850** | **9,378** | **10,352** |
| **Number of employees by gender** | | | | | | | | | | | | | | | |
| **Total women** | **622** | **663** | **693** | **1,781** | **2,693** | **2,987** | **1,450** | **1,523** | **1,631** | **26** | **23** | **23** | **3,879** | **4,902** | **5,334** |
| **Total men** | **969** | **1,022** | **1,046** | **1,329** | **1,722** | **2,054** | **1,637** | **1,703** | **1,882** | **36** | **29** | **36** | **3,971** | **4,476** | **5,018** |

During the year the Group availed itself of approximately 1,986 contract workers at the production plants.

| Breakdown of the workforce | | Unit of measure | De' Longhi Group 2019 | De' Longhi Group 2020 | De' Longhi Group 2021 |
|---|---|---|---|---|---|
| **Managers** | | | | | |
| Men | < 30 years | % | - | - | - |
| | >30 < 50 years | % | 1.4% | 1.7% | 2% |
| | > 50 years | % | 1.1% | 1.3% | 1.2% |
| **Total men** | | **%** | **3.1%** | **2.5%** | **3.2%** |
| Women | < 30 years | % | - | 0.1% | - |
| | >30 < 50 years | % | 0.5% | 0.7% | 0.7% |
| | > 50 years | % | 0.1% | 0.2% | 0.1% |
| **Total women** | | **%** | **0.9%** | **0.7%** | **0.9%** |
| **Total** | | **%** | **4.2%** | **3.2%** | **4.1%** |
| **White collars** | | | | | |
| Men | < 30 years | % | 2.1% | 1.5% | 2.3% |
| | >30 < 50 years | % | 13.3% | 10.8% | 10.2% |
| | > 50 years | % | 3.8% | 3.4% | 3.4% |
| **Total men** | | **%** | **18.4%** | **19.2%** | **15.9%** |
| Women | < 30 years | % | 2.6% | 2.1% | 2.4% |
| | >30 < 50 years | % | 10.8% | 9.1% | 9.1% |
| | > 50 years | % | 2.3% | 2.1% | 2.1% |
| **Total women** | | **%** | **14.5%** | **15.6%** | **13.5%** |
| **Total** | | **%** | **32.9%** | **34.9%** | **29.4%** |
| **Blue collars** | | | | | |
| Men | < 30 years | % | 6.4% | 7.4% | 7.7% |
| | >30 < 50 years | % | 15.8% | 15.5% | 15.5% |
| | > 50 years | % | 6.0% | 6.5% | 6.2% |
| **Total men** | | **%** | **29.5%** | **28.3%** | **29.4%** |
| Women | < 30 years | % | 5.7% | 7.3% | 6.7% |
| | >30 < 50 years | % | 21.9% | 23.7% | 22.5% |
| | > 50 years | % | 5.3% | 7.4% | 7.9% |
| **Total women** | | **%** | **33.6%** | **32.9%** | **37.1%** |
| **Total** | | **%** | **63.1%** | **61.2%** | **66.5%** |

In 2021, the De'Longhi Group's BoD comprised 8 men and 4 women, of which around 92% over the age of 50.

| Composition of the Parent Company's BoD | | Unit of measure | Italy | | |
|---|---|---|---|---|---|
| | | | 2019 | 2020 | 2021 |
| Men | < 30 years | n | - | - | - |
| | >30 < 50 years | n | 1 | 1 | - |
| | > 50 years | n | 5 | 7 | 8 |
| **Total men** | | **n** | **6** | **8** | **8** |
| Women | < 30 years | n | - | - | - |
| | >30 < 50 years | n | 1 | 1 | 1 |
| | > 50 years | n | 3 | 3 | 3 |
| **Total women** | | **n** | **4** | **4** | **4** |
| **Total** | | **n** | **10** | **12** | **12** |

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 2021 the De'Longhi Group provided an average of 21.7 hours of training to each employee (- 8.5% compared to 2020) for a total of approximately 224,309 hours, about 1% higher than in the prior year.

| Training | Unit of measure | De' Longhi Group | | |
|---|---|---|---|---|
| | | 2019 | 2020 | 2021 |
| Average hours per employee | H | 20,6 | 23,7 | 21,7 |

| Training | Unit of measure | De' Longhi Group | | |
|---|---|---|---|---|
| | | 2019 | 2020 | 2021 |
| **Training by job level** | | | | |
| Average hours for managers | H | 19.9 | 15.2 | 14.3 |
| Average hours for blue collars | H | 23.2 | 10.3 | 17.6 |
| Average hours for white collars | H | 19.2 | 29.8 | 23.9 |
| **Training by gender** | | | | |
| Average hours for women | H | 18.1 | 25.9 | 20.3 |
| Average hours for men | H | 23.1 | 21.2 | 23.1 |

With regard to health and safety, the Group recorded a total of 82 injuries, of which 4 in transit occurring during transports organised by the company, over a total of more than 21 million hours worked in 2021. These include 12 injuries sustained in transit, while commuting using the employee's own means.

The Group's rate of injuries increased with a value of 3.9 in 2021 compared to 2.5 in 2020. The 2021 figure is largely in line with 2019, while the difference with respect to 2020 is explained mainly by factors specific to the year.

| **Injuries and rate of injury by geographic area** | | **Italy** | | | **Europe** | | | **Americas & Asia-Pacific** | | | **MEIA** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **2019** | **2020** | **2021** | **2019** | **2020** | **2021** | **2019** | **2020** | **2021** | **2019** | **2020** | **2021** |
| Total hours worked | h.000 | 2,657 | 2,527 | 2,887 | 5,218 | 6,256 | 8,285 | 10,255 | 11,125 | 9,935 | 116 | 109 | 119 |
| Injuries | n. | 12 | 10 | 13 | 28 | 6 | 20 | 23 | 34 | 49 | - | - | - |
| *In transit using means organized by the Group* | *n.* | - | - | - | *15* | *4* | *4* | *2* | - | - | - | - | - |
| Serious injuries | n. | - | - | - | - | - | - | - | - | - | - | - | - |
| Fatal injuries | n. | - | - | - | - | - | - | - | - | - | - | - | - |
| Occupational disease | n. | 2 | 4 | 1 | 1 | - | - | - | - | 1 | - | - | - |
| **Accident rate** | **-** | **4.5** | **4.0** | **4.5** | **5.4** | **1.0** | **2.4** | **2.2** | **3.1** | **4.9** | **-** | **-** | **-** |
| **Rate of serious accidents** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Rate of mortality** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Rate of occupational disease** | **-** | **0.8** | **1.6** | **0.3** | **0.2** | **-** | **-** | **-** | **-** | **0.1** | **-** | **-** | **-** |

| **Group injuries and accident rates** | | **De' Longhi Group** | | |
|---|---|---|---|---|
| | | **2019** | **2020** | **2021** |
| Total hours worked | h.000 | 18,246 | 20,017 | 21,227 |
| Accidents | n. | 63 | 50 | 82 |
| *In transit using means organized by the Group* | *n.* | *17* | *4* | *4* |
| Serious accidents | n. | - | - | - |
| Fatal accidents | n. | - | - | - |
| Occupational disease | n. | 3 | 4 | 2 |
| **Accident rate** | **-** | **3.5** | **2.5** | **3.9** |
| **Rate of serious accidents** | **-** | **-** | **-** | **-** |
| **Rate of mortality** | **-** | **-** | **-** | **-** |
| **Rate of occupational disease** | **-** | **0.2** | **0.2** | **0.1** |

| **Accidents and accident rates for contract workers at the production facilities** | | **De' Longhi Group** | | |
|---|---|---|---|---|
| | | **2019** | **2020** | **2021** |
| Total hours worked | h.000 | 1,377 | 2,644 | 5,343 |
| Accidents | n. | 2 | 4 | 12 |
| *In transit using means organized by the Group* | *n.* | - | - | *7* |
| Serious accidents | n. | - | - | - |
| Fatal accidents | n. | - | - | - |
| **Accident rate** | **-** | **1.5** | **1.5** | **2.2** |
| **Rate of serious accidents** | **-** | **-** | **-** | **-** |
| **Rate of mortality** | **-** | **-** | **-** | **-** |

## Scenario and risks

In order to maintain consumer confidence and its reputation in all of its markets, the De' Longhi Group works constantly to guarantee the highest product quality. This is key to ensuring long-term profitability and business continuity. As the Group works in different areas worldwide, it must continuously address a complex and varied regulatory environment, subject to constant change, 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 De'Longhi Group, the products are to be developed in accordance with the most stringent standards applicable in the numerous countries where they are distributed. Examples 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, UK and Australia. A Product Safety & Liability team is in charge of dealing with these aspects at Group level, interacting with the technical functions and the Group's subsidiaries, operating both at product risk prevention level and managing any signals coming from the market or internal entities. For example, in these countries, energy regulations have recently been adapted: the introduction of new energy efficiency standards that the portable air conditioners segment must comply with has resulted in the adaptation of the entire range sold by the Group in the markets to a minimum standard of energy efficiency.

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

The Quality Division, comprised of more than 500 people Groupwide, supervises compliance with all the current laws and regulations relating to **product safety**, as well as **food contact safety**. A specific Regulatory Affairs team monitors the regulatory and legislative scenario relative to product and, in close collaboration with the technical areas, works to guarantee compliance on an international level. One of the other duties of this team is to define specific guidelines and product control criteria that can be applied to all the Group companies. Compliance with the

corporate provisions defined by Quality is assured locally by dedicated teams which work on two levels: the first is focused on the product quality control, relative to those manufactured by the Group as well as those received from suppliers of finished goods; the second level focuses on the brands and is responsible for monitoring quality during the development phase and when any notifications are received from the market. In both cases, in order to prevent any product anomalies or malfunctions, as well as ensure the best qualitative standards, supervision begins already in the planning phase.

Product quality is also monitored as part of the **ISO 9001** certified organizational model in place at the European plants and the Group's Chinese production facilities.

With regard to food safety, in the Mignagola and Cluj plants an **ISO22000** certified management system for food safety was implemented which meets specific requirements for hygienic and sanitary conditions for food and the products which it is in contact with. The 22000 standard is based on the HACCP principles and the Codex Alimentarius which makes it possible to identify and manage the possible risks, prevent incidents along the entire production chain and assess the compliance of products with laws and regulations. In the other Group plants, the organizational model is informed by, in addition to ISO22000, the **Good Hygienic Practices** (GHP) and the ISO 1672-2 standard for food safety. The organizational 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.

All the Group's products are also evaluated, in a pre-production phase, by third parties, to guarantee compliance with the applicable regulations, verifying that the current standards relative to security are aligned. A further task of the Quality function, carried out through specific audits (see paragraph "Supply chain management"), is to oversee the quality of the productions of its suppliers.

With regard to product information, an important aspect consists of the cooperation between the technical function and the Marketing Department for the creation and continuous monitoring of user manuals and labels: it is to all the extent essential to ensure their consistency with the regulatory frameworks of the countries where the finished product is distributed. The topic of product information and labeling is, in fact, very important for the Group which, in order to fulfill legal obligations, must comply with specific provisions such as, for example, providing the country of origin and the presence of any refrigerants in the appliances distributed by the Group. Instructions relating as 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 highly multifunctional.

The designs should combine several elements in order to provide ergonomic, silent, reliable, energy efficient products, made out of durable materials and based on technologies that encourage healthy eating habits. Moreover, the Group has always invested in the research and development of long-lasting products, made out of parts that are easy to disassemble and clean.

Toward this end, in 2020 the Kenwood brand launched a two-year project aimed at drastically reducing the number and complexity of the parts of its kitchen machines which will improve product maintenance and facilitate repair.

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").

More in general, the guidelines for new product development are shared by the entire De'Longhi Group based on specific NPD (New Project Development) procedures monitored by Marketing and Design, as well as part of the technical offices, comprised of around 450 people located in offices in Italy, Germany, the UK and at 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 development of innovative products is also promoted and supported by the commercial partnerships developed by the Operations and Technology Division and some commercial partners based on which the De'Longhi Group designs and manufactures a collection of coffee products, as well as with a few Italian and foreign universities which focus on product design and improving the user experience. Toward this end in 2020 the Group held an innovation management conference at LIUC - Cattaneo University and was awarded a prize by the University of Padua in recognition of its open innovation based partnerships.

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 Group's founding values is, most certainly, the constant attention paid to making excellent products, conceived and continually innovated through research and development focused, among other things, on the safety and wellbeing of the consumer. In the Code of Ethics, approved by the BoD in 2018, the Group commits to guaranteeing that consumers and clients will be provided with high quality. More in detail, product design and production must take into account product efficiency and durability, as well as the maximum environmental compatibility. The Group wants to be a reliable and safe partner for its clients and intends to develop its markets based on this principle, providing top-tier quality products and services.

The Group adopted a group-wide **Quality Policy** which reinforces the commitment to the development and distribution of safe products which comply with all laws and regulations and meet the needs of end consumers.

## Key figures

The First Time Quality (FTQ) indicator helps to monitor qualitative process efficiency. It was conceived to verify the type of defects, functional or esthetic, linked to the single products and expresses the number of perfect products as a percentage of total production.

In the three-year period 2019-2021, 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 two years under warranty monitoring the percentage of products repaired during the first warranty year. The overall SCR in 2021 and the constant improvement over the three-year period confirm the De'Longhi Group's commitment to designing and producing high quality products.

In the three-year reporting period, there were two instances of non-compliance linked to product safety. In 2021, some 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 based on an agreement with the local authorities. In 2019 there was an instance of noncompliance with the European Directive 2014/35/EU, the "Low Tension Directive" that resulted in an administrative sanction that was, however, not significant.

There were no instances of non-compliance relative to product information and labeling while in 2020 there was one instance in Italy relating to the label of an Ariete brand product that did not have the name and address of the manufacturer. There were two instances of noncompliance in 2019, both related to the European Directive referred to above.

Finally, as in prior years, the Group continued with its investments plans and research and development in order 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 2021 the Group continued to invest in the development of solutions which guarantee connectivity and ease-of-use through digital technologies like Wi-Fi, Bluetooth and touch screens. These technologies make it increasingly possible to personalize the products offered to the user, as well as monitor and prevent malfunctions and, consequently, increase the efficiency and speed of customer care. In 2021, for example a project to develop a series of air conditioners for the European market which, in addition to being connected to specifics apps, incorporate innovative technologies capable of locating the user (a geofencing system) and optimize consumption. These will be added to the line of portable air conditioners which can be controlled remotely thank to the Bluetooth technology *"Cooling Surround Technology"* launched in 2020 and expanded to include other models of air conditioners in 2021. Looking at the coffee segment, in 2020 distribution of "Primadonna Soul" began. This is 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.

Lastly, beginning already in 2018, several food preparation and comfort product lines featuring innovative user interfaces and connectivity were offered: these included 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. There are a few models like, for example, la Maestosa and La Specialista, for which different initiatives have been underway focused on further increasing durability which, already today, is optimal. 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; generally, the ability to repair all of the Nespresso brand machines is already monitored during the design phase. Similar projects have been ongoing for some time for the Kenwood brand kitchen machines with a number of assessment activities also in 2021: with a view to standardizing internal parts and reducing the number of parts, the goal is to guarantee simpler and more effective repairs, as well as more sustainable and functional solutions. In the wake of the projects begun in 2020, in 2021 work was done to simplify a few mechanical elements and increase the interchangeability of parts across different models.

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, by rendering them not only simple to take apart, but also by increasing the ability to interchange parts across products from the same family.

As already noted in previous years, 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 products with low GHG emissions

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 changing constantly and widely discussed by regulators.

With regard to coffee, in 2021, as was the case in 2020, 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. The biggest novelty in 2021 is the fact that Lattissima One Evo, launched in 2020 on the main markets and expended to include other geographies in 2021, received an A+ rating. Most of the Nespresso platform machines were also rated A+ 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. The reduced weight of the thermoblock made it possible to improve energy consumption noticeably.

Also, as of 2018 all the fully automatic machines are also 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.

Moreover, 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: in 2021 more work was done on these functions, which today allow the machine to turn off automatically after only a few minutes of not being used.

Lastly, with regard to comfort, already in 2020, the migration of the whole range of European portable air conditioners to refrigerant propane gas was completed and stabilized. 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. This activity was the continuation of what was done already beginning in 2018 to substitute the refrigerant gas, which has high global warming potential, 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.

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 +++.

## Healthy lifestyle products

The De' Longhi Group uses its products to promote healthy lifestyles, consistent with recent health trends and increasingly healthy eating habits. This has resulted in, products capable 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. For many years, the Group has also started a partnership with the University of Padua which resulted in the development of different innovations. Among these, two projects have assumed particular relevance over time: a coffee machine that can make drinks using vegetable 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 desire to respond to the consumers' increasing demand for healthy foods 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. Looking at healthy eating, a number of initiatives were already in place at the beginning of the three-year reporting period: these include the Multifry range of fryers which, thanks to the use of hot air to cook food, guarantees a reduction in the use of vegetable oils (and, therefore, fat) and the environmental impact related to the disposal of the cooking oils used.

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 De' Longhi Group's brand reputation is based on the loyalty of end consumers and the essential need to distribute quality products. Both of these aspects are managed and addressed in different ways which go from 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 information.

There are numerous aspects related to the end consumers' needs that fall within the provisions of the law on consumer protection: among these there are, among other things, the minimum warranty period of the products, the management of the same in case of defects and their environmental compatibility in terms of the recyclability of the materials that compose them. The protection of data and consumer privacy remains an aspect of primary importance for the Group: the greatest risks in this regard are represented by elements such as the obsolescence of telecommunications technologies and information 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 and the local marketing offices of each brand. There is also a *Customer Care* division which is responsible for supporting the end consumer in the pre and post-sale phases. With a view to ensuring continous and integrated customer support throughout the customer journey, valid standards have been defined for the whole group, contact centers and techinical support centers which represent an essential tool for consumer relations.

The contact center network, managed in outsourcing and in place at almost all of the Group's branches, manages the requests for assistance received from the end consumers, provides product information and continuous support for an optimal customer journey. As Covid-19 spread, the contact centers were subject to growing pressure which, in 2020, was tied mainly to the closing of offices and reorganization and which, in 2021, was attributable mainly to the higher volume of direct contacts with the clients, both via phone calls and requests for support sent via web. The higher volumes are, in part, attributable to a gradual shift in the sale of products: in 2021, in fact, there was an acceleration in online sales which implies a direct relationship with the consumer that is no longer filtered by the traditional retail experience. The increase in the requests and, consequently, the need to recruit new operators did not, however, compromise the high quality service provided and resulted in work being done on the development of quick replies. The ability to react to the brusque increase in requests allowed for greater improvement in the service provided compared to 2020.

In 2021 use of the CRM management system (an extension of SAP and renewed in 2020) which allows for integrated and efficient management of consumer information was used again. This system covers consumers representing around 80% of the Group's sales, generates feedback and analyzes the information gathered. This system was recently renewed; in 2020 an important project was completed based on which today the CRM can provide an integrated pre- and post-sales service and a new cloud customer communication system.

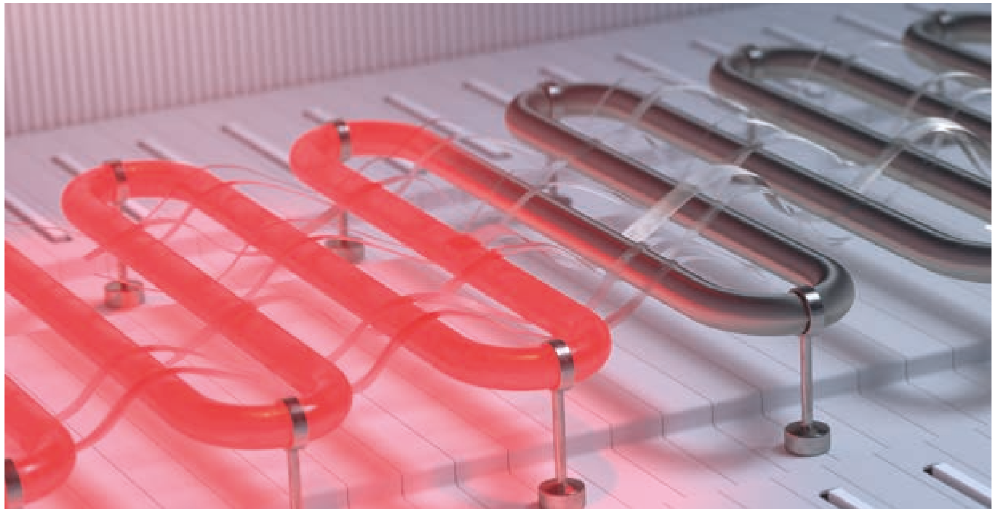
During the year, VoC management (Voice of Customer) tools were also used through Wonderflow, a software which collects structured feedback from the websites of the main retailers selling the Group's products. Implemented in 2020 and fine-tuned in 2021, thanks to this software it is possible to combine the reviews coming from more than 60 retail channels and 14 countries worldwide, covering three continents (Europe, Asia Pacific and America). This technology makes it possible to combine these reviews with the customers' direct feedback collected using the internal 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 available.

An important new development in 2021 relating to customer care was the pilot project launched with a UK software provider: the goal of this program was to adopt an AI service (AI - Artificial Intelligence powered web service system) which makes it possible to improve the relationship with the consumer and the quality of the support provided. A significant number of the requests was transferred to directly to AI.

2021 was a year of significant pressure also for technical assistance services, comprised of approximately 1,800 service centers worldwide (of which 300 in Italy), the majority of which in outsourcing. If, in 2020, it was the pandemic to cause a slowdown in operations due to the temporary closing of a few centers, in 2021 the main challenge was finding materials. The system, however, showed great resilience: even though the reduced access to spare parts caused a slight increase in the average repair times, it was possible to maintain high quality service and contained costs thanks also to the investments the Group makes every year in repair facilities. In 2021, for example, an investment in expanding the repair center in Germany, already the Group's biggest market which never closed despite the global scenario of the last two years, was approved. Lastly, to further ensure the effectiveness and quality of repair services, a new control platform for the reporting of technical assistance centers was launched both in Italy and abroad.

In addition to sharing joint guidelines and standards, Customer Care constantly monitors the quality of the support service teams and contact centers through inspections, as well as the use of specific indicators, and periodically provides training. If in 2020 these inspections were interrupted during the months of the lockdown in Italy, in 2021 the inspections resumed regularly where allowed by local laws and company policies. The training of employees and external partners specialized in technical assistance is still being carried out using a hybrid method thanks to the synergies between e-learning and online training; in order to render training more effective and user friendly, the platform used was recently updated and modified.

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 given itself a series of targets which aim to improve its analysis and understanding of the consumers' most common requests, paying particular attention to product information, as well as after sales assistance. In addition to big data analysis and the business intelligence already carried out in prior years, in 2021 analysis of the customer feedback continued: the use of the internal data driven platform makes it possible to carry out intuitive text analytics, text mining, sentiment analysis and rating breakdown, analyzing the online review channels of the main European and global retailers, gathering information on both the Group's and the competitors' products. In this way, the Group can investigate different competitive aspects, analyzing the online channels of the main European retailers and gather information about Group products and the competition.

The Code of Ethics has an important role in internal and external communications, as it is particularly focused on consumers and clients, for listening to their needs is considered to be a driving force behind the ability to provide better solutions which both anticipate or even influence new market trends. The Group, therefore, strives to guarantee that relationships with consumers and clients are handled professionally, in a timely manner, carefully, openly, respectfully, collaboratively and with a passion that ensures the highest quality, as well as the best level of service possible.

As for external communications, based on the Code of Ethics the disclosures made both inside and outside the Group must comply with the law, regulations, and professional best practices and be clear, transparent, timely and accurate. Lastly, consistent with the principle of confidentiality found in its Code of Ethics, the Group is committed to protecting the confidentiality of the information and data in its possession, 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

With regard to the processing and protection of data, 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 was a similar instance, while in 2019, there was one instance of noncompliance involving a Group company in Germany due to a potential data breach. The authorities were informed of the issue immediately, in accordance with the law, and the issue was resolved.

Looking at the service provided to end consumers, as mentioned above the average service time in 2021 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 support services was monitored based on the First Time Fix (FTF) which measures 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. In 2021 the FTF was largely unchanged with respect to previous years, keeping a costant value in the three-year reporting period coming in at around 95%; these results certify that almost all the products have received an adequate repair. This indicator is not linked to the speed of repairs and, therefore, was not impacted by COVID nor by the difficulties in finding materials.

Looking at the instances of noncompliance in marketing and communications, in 2021 there were two instances of non-compliance. In the first case the Italian Minister of Health filed a complaint relative to the Ariete product as the chemical substance used by the product was registered as a detergent and not a disinfectant. The Ministry asked that all the informational and marketing material relative to this product be changed, eliminating any and all references to the product's disinfecting actions. In the second instance, a case of non compliance of Capital Brands was recorded and resolved with a minor financial settlement agreed between the parties. In 2019 there were two, resolved, incidents which did not result in fines, only a warning, while in 2020 there were no incidents.

## Scenario and risks

Preventing and managing the risks associated with the supply chain is essential to ensuring the continuity of the Group's business. The Group moves in this direction, encouraging 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 a group of qualified partners or "Original Equipment Manufacturers"

The Covid-19 crisis inevitably impacted the assessment and management of supply chain risks as the Group had to address logistic emergencies stemming from local restrictions and border closings which were managed in accordance with the law, while striving to guarantee operational continuity.

For more information about management of the risks linked to supply chain management, please refer to the section "Risk factors for the De'Longhi Group", specifically paragraph 8 (Risks relating to manufacturing, commodity prices and supplier relationships).

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 certain environmental, as well as social, requirements.

Three offices are involved in assessing, 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. This structure makes it possible to respond to the specific needs of the different markets in which the Group operates effectively and quickly.

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 at 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 with the values and principles included in the Code of Ethics relating to labor practices and, beginning in 2019, the main environmental regulations. 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. In addition to the social accountability audits already carried out, as of 2020 environmental audits are also performed. Environmental criteria were, therefore, added to the checklist of the Social Accountability audits which include: verification that the supplier has a system in line with the ISO 14001 standard, that identifies the supplier's best practices with regard, in particular, to issues like emissions, and waste management. In this way, every time a supplier is subject to a social accountability audit, an environmental audit will also be carried out.

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).

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

1. ***Technical Factory Audit* (TFA):** measures the effectiveness of the quality system and the management of the suppliers. This type of audit is conducted every year and focuses on both initial quality, as well as subsequent periodic monitoring of suppliers. As explained above, the checklist for this type of audit included 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

While there is no formal Group policy, the Code of Ethics governs the relationships with suppliers which 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 are requested to 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 all of its sub-contractors with a copy of the updated Code of Ethics.

In order to further strengthen the Group's commitment to responsible supply chain management, as of 2019 the Chinese suppliers of finished products are required to also sign the Group Code of Conduct which is presented to them in English and Chinese.

Supply Chain and Quality are committed to developing enduring relationships with suppliers in order to ensure quick responses to market and production needs. As for logistics, the Group intends to build a direct and simplified network favoring direct deliveries, consistent with the Group's expectations.

Lastly, the Group is working on "Responsible sourcing guidelines" to be applied to its own supply chain.

## Actions taken to ensure continuity

In 2021 there was an acceleration in e-commerce activities, focused on delivery to the client, while skipping the transfer to the retailer's warehouse. In this way, the Group aims to further improve the efficiency of its deliveries by reducing the number of steps, which will also be beneficial in terms of environmental impact. If in 2020 the closings caused by the pandemic resulted in a less straight forward management of the supply chain, in 2021 the main obstacle was the lack of components. The Group, however, worked to guarantee continuity in supply chain management, to the extent that there were only a few slowdowns in distribution and it was almost never interrupted, thanks to the search for alternative solutions for the procurement of materials and spare parts.

In light of what was, at times, still a critical situation, the supplier audits were sometimes conducted remotely.

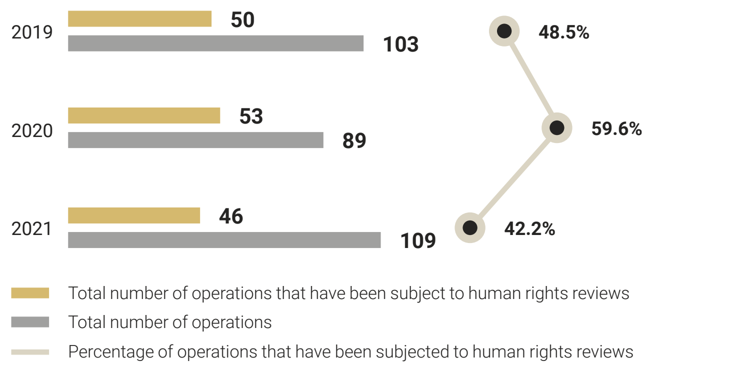
## Key figures

In 2021, 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.

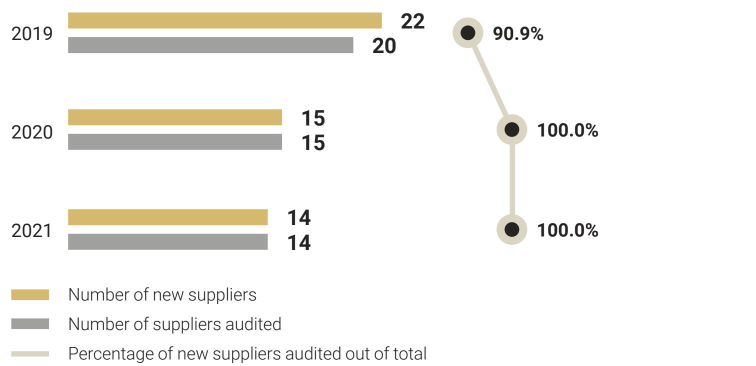
With regard to environmental aspects, in 2021 environmental audits of 14 or 100% of the new suppliers of finished products were carried out, consistent with the figure recorded in 2020 (100%)

Lastly, in 2021 a total of 46 audits were carried out in order to verify that no human rights violations had occurred at 42 supplier plants and 4 Group plants, which covered almost 42% of the Group's operations, lower than in the prior year (60%).

### Number and percentage of transaction subject to human rights assessments




### New suppliers of finished products subject to social accountability audit



## 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 this constant change, the Group's environmental regulations are updated continuously, forming a crucial part of correct business management and the impact they could have on the latter.

For more information about environmental risks, as well as 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 harm) in the section", 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, the ISO14001 certified environmental management system in place at the production facilities in Mignagola and Cluj, and at the Salonta plant in Romania as of 2021, make it possible to carry out environmental assessments of these plants and define the steps needed to reduce the environmental impact of the entire value chain.

The production facilities in OnShiu and Dongguan (China) strive to comply with the best practices for environmental management consistent with internal procedures and applicable regulations. Work is also being done on obtaining ISO 14001 certification for the two facilities.

As of a few years ago solar panels had already been installed at the Mignagola plant. These allow for the self-production of 950.972 kWh, in 2021, corresponding to approximately 6% of the electricity consumed which lowers the environmental impact linked to the production of electricity considerably. In the coming months monitoring systems will be installed at both the Mignagola plant and the recently expanded Treviso headquarters which make it possible to carry out thorough evaluations of energy efficiency and consumption. In 2021 work also continued on renewing the lighting systems at the Italian, Chinese and Cluji plants: the installation of LED lighting in the production areas at Mignagola was completed and the lighting in the warehouse of finished products, where currently there are movement sensors in the aisles, was redesigned. At the Cluj plant substitution of the traditional lighting with LED lighting continued. This change will make it possible to reduce the consumption of electricity like-for-like by almost 90,000 MJ. Another important change in the energy saving plan pursued by the Group is the installation of a co-generator at the Mignagola plant, which will be completed in 2022. In the same plant, where already in 2020 new, higher performing and energy efficient compressors were installed, in 2021 the summer air conditioning system was upgraded; the installation of machinery which sucks air in rather than recycling it, which now allows for a consistent exchange of air which also helps to contain the spread of Covid-19. At the Treviso headquarters a few charging stations for electric cars were installed which became necessary as the company cars now comprise hybrid or 100% electric models.

In 2019 a heating system for the warehouses was installed at the Cluj plant that uses the heat generated in the plant's drying facilities which reduces the use of natural gas for traditional heating.

In China, where over the past few years part of the plastic stamp machinery was renewed, similar to 2020, in 2021 further work was done on improving the energy efficiency of productive assets, resulting in specific improvements being made to machinery in order to increase energy efficiency and productivity. The partnership with the local government relating to energy savings also continued: as part of the energy saving plan, in 2020 meters were, in fact, installed which make it possible to monitor the consumption of electricity and find the areas and functions which consume the most energy. Thanks to these meters, the Group has been able to periodically map the consumption in the different areas and, based on the results, find ways to reduce energy consumption and improve energy efficiency at both of the Chinese facilities

As in past years, a number of timely initiatives were implemented, promoted both centrally and locally by the R&D Divisions, which aim to reduce the environmental impact of the Group's products when used by consumers. These initiatives, which target mainly energy efficiency, durability and product repairability, are consistent with the Group's approach to sustainability. Please refer to the section "Product innovation and quality" for more information.

Consistent with the idea of a circular economy and responsible waste management, the Group continued with the existing projects involving the **recovery of the by-products of production**. For several years now, at the Mignagola and Dongguan plants, plastic scraps have been reused in the manufacturing cycle which reduces initial raw material costs and the amount of waste to dispose of. The results of this activity were excellent and the initiative in 2019 was also launched at the plant in Cluj. The metal scrapes, rather, are resold as raw materials. Paper, cardboard and nylon scraps are sent to be regenerated.

The Group continued to analyze efficiencies and **ways to reduce product packaging materials** which produced excellent results in both environmental (lower environmental impact as a result of the reductio in the raw materials and waste to be disposed of) and economic (thanks to lower raw materials costs) terms. For the Braun brand, in addition to the work done over the years on finding ways to reduce the amount of plastic used in the packaging of Braun brand handblenders, in 2020 a LCA (Life Cycle Assessment) was carried out relative to the different types of packaging used currently in order to find alternative solutions with a lower $CO_2$ footprint. Toward this end, in 2021 studies and evaluations were carried out in order to find a software to be used for the LCA activities that works for the entire Group. In the wake of what was done in 2020, the Braun and Kenwood brands further developed studies and partnerships (with both universities and external partners) relative to alternative materials made from renewable energy sources to substitute the plastic used in the packaging, the big bags (made out of plastic) and the EPS packaging. 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, instead of buying new ones, repaired pallets are used which in 2019 made it possible to reuse 5,500 pallets or approximately 1,300 trees.[8]

At the Italian plan in Mignagola wooden pallets have substituted with pallets made out of recycled plastic.

Responsible waste management is also expressed through the special attention given to informed waste management, incentivizing 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 and the Kenwood headquarters, have adopted an Environmental Policy which has a number of objectives: these include, compliance with all current legislation in each Country where the Group operates, 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.

8 The calculation used can be found at www.palletconsultants.com/blog/pallet-recycling-saves-trees.

### Key figures

In 2021, consumption increased 12,4% with respect to the prior year (422.263 GJ in 2021 compared to 376,062 GJ in 2020). This increase is attributable to both the higher number of units produced compared to 2020 and the acquisition by the De' Longhi Group of the Swiss Eversys plant and the first year in which the Romanian plant Salonta was working at full capacity for the De' Longhi Group. The amount of direct consumption for heating and transport, as well as indirect (electricity through district heating and cooling) was basically unchanged in the three-year reporting period.

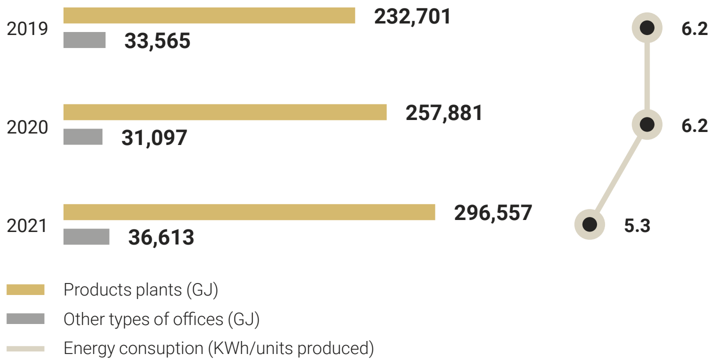
| Fuel consumption | u.m. | Production facilities | | | Other types of offices [9] | | | De' Longhi Group | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| **Direct energy consumption from non-renewable sources** | | | | | | | | | | |
| Gas | GJ | 3,017 | 2,824 | 3,948 | 9,605 | 6,646 | 7,181 | 12,623 | 9,470 | 11,129 |
| Diesel | GJ | 6,170 | 5,180 | 6,991 | 22,847 | 16,010 | 18,274 | 29,112 | 21,189 | 25,265 |
| Natural gas | GJ | 36,298 | 46,388 | 42,869 | 5,145 | 5,034 | 5,115 | 41,443 | 51,422 | 47,984 |
| LPG | GJ | 568 | 587 | 518 | - | 667 | 712 | 568 | 1,254 [10] | 1,231 |
| Fuel oil | GJ | - | - | - | 203 | 142 | 61 | 203 | 142 | 61 |
| **Total** | **GJ** | **46,053** | **54,979** | **54,327** | **37,801** | **28,498** | **31,343** | **83,949** | **83,477** | **85,670** |
| **Direct energy consumption from renewable sources** | | | | | | | | | | |
| Energy produced from renewable sources and consumed | GJ | 3,548 | 3,567 | 3,423 | 39 | 40 | - | 3,587 | 3,607 | 3,423 |
| **Total direct energy consumption** | **GJ** | **49,601** | **58,546** | **57,750** | **37,840** | **28,538** | **31,343** | **87,536** | **87,084** | **89,093** |
| **Indirect energy consumption** | | | | | | | | | | |
| Electricity purchased | GJ | 232,701 | 257,881 | 296,557 | 31,206 | 28,984 | 34,291 | 263,887 | 286,865 | 330,848 |
| District heating | GJ | - | - | - | 2,359 | 2,113 | 2,322 | 2,359 | 2,113 | 2,322 |
| Cooling | GJ | - | - | - | - | - | - | - | - | - |
| **Total indirect consumption** | **GJ** | **232,701** | **257,881** | **296,557** | **33,565** | **31,097** | **36,613** | **266,246** | **288,978** | **333,170** |
| **Total consumption** | **GJ** | **282,301** | **316,427** | **354,307** | **71,405** | **59,635** | **67,956** | **353,782** | **376,062** | **422,263** |

In the three-year period 2018- 2020, 5.5, 6.5 and 57.6 GJ of electricity produced from renewable sources were produced at sites, which were then transferred to the national grid. In 2018 the method used to measure the electricity consumed at the Campi Bisenzio offices was changed.

9 "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.

10 The 2021 figure relative to GPL consumption includes the consumption of a De' Longhi Group asset for which this information was not available in 2020.

The indirect electricity consumption per unit of production was lower, 5.3 kWh in 2021 vs. 6.2 in the two-year period 2019-2020.

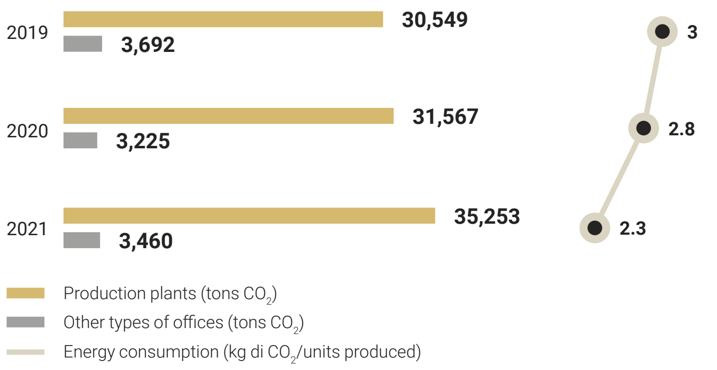



In 2021 $CO_2$ emissions amounted to 44,477 tons, slightly higher (11%) compared to the 40,030 tons recorded in 2020 (including the indirect $CO_2$ emissions calculated using the "Location Based" method). Consistent with energy consumption, the $CO_2$ emissions are attributable mainly to the consumption of electricity, which accounts for around 88% of the Group's total $CO_2$ emissions. Furthermore, as the important reduction in market-based emissions (-28%) shows, during the reporting period the Group acquired guarantees of origin for energy consumption for all the Italian headquarters and the plant in Cluj (Romania).

| Emissions [ton $CO_2$] | Production facilities | | | Other types of offices [11] | | | De' Longhi Group | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| Direct | 2,743 | 3,235 | 3,249 | 2,689 | 2,003 | 2,215 | 5,439 | 5,238 | 5,464 |
| Indirect - Location Based | 30,549 | 31,567 | 35,523 | 3,692 | 3,225 | 3,460 | 34,240 | 34,792 | 38,983 |
| Indirect - Market Based | 33,852 | 33,854 | 23,452 | 4,616 | 3,980 | 1,974 | 38,465 | 37,833 | 25,426 |
| **TOT** *(Direct + Indirect - Location Based)* | **33,293** | **34,802** | **38,772** | **6,381** | **5,228** | **5,675** | **39,679** | **40,030** | **44,477** |
| **TOT** *(Direct + Indirect - Market Based)* | **36,596** | **37,089** | **26,701** | **7,305** | **5,983** | **4,189** | **43,905** | **43,072** | **30,890** |

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 a largely stable trend in the three-year period, characterized by a slight decrease of around -18% against the prior year, falling from 2.8 kg of $CO_2$ per unit produced in 2020 to 2.3 kg of $CO_2$ per unit produced in 2021.



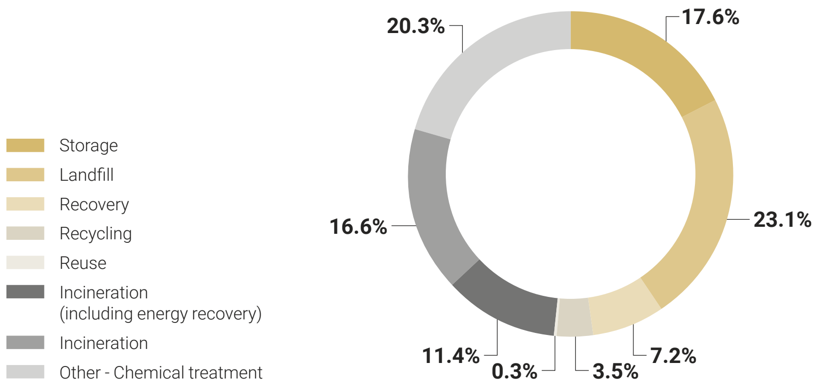

In 2021 12,670 tons of waste was produced, an increase of 32% compared to 2020; 98% of this was non-hazardous, while the remaining 2% was hazardous. The increase in the total waste produced is attributable mainly to increased production volumes, the acquisition of the Swiss plant of Eversys and the first year in which the Salonta plant was working at capacity for the De' Longhi Group. Approximately 88% of the waste produced (90% of the non-hazardous and 11% of the hazardous) was sent to be recovered through reuse, recovery, recycling and composting.

All of the waste produced by the De' Longhi Group in 2021 was treated offsite.

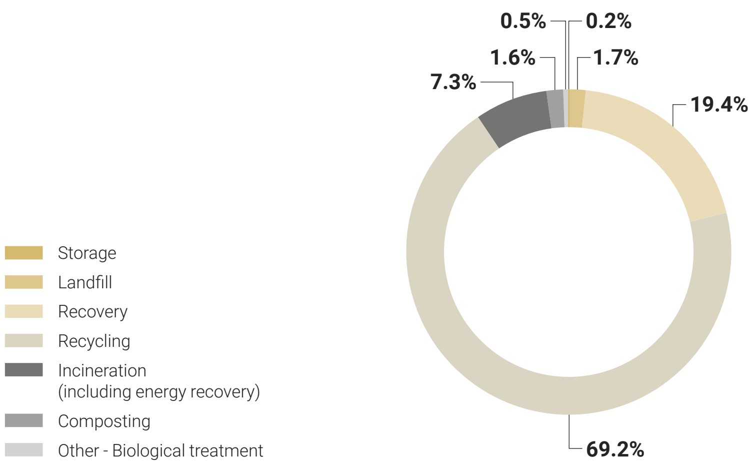
| Waste produces | u.m. | 2019 | | 2020 | | 2021 | |
|---|---|---|---|---|---|---|---|
| | | Hazardous | Non-hazardous | Hazardous | Non-hazardous | Hazardous | Non-hazardous |
| Reuse | ton | 2 | 0 | 2 | 0 | 1 | 0 |
| Recovery | ton | 52 | 1,765 | 58 | 1,907 | 21 | 2,396 |
| Recycling | ton | 4 | 5,790 | 34 | 6,658 | 10 | 8,572 |
| Composting | ton | 0 | 68 | 0 | 98 | 0 | 198 |
| Incineration (including energy recovery) | ton | 9 | 147 | 16 | 550 | 33 | 904 |
| Incineration | ton | 1 | 0 | 38 | 0 | 48 | 0 |
| Landfill | ton | 60 | 69 | 16 | 91 | 67 | 215 |
| Storage | ton | 34 | 6 | 34 | 21 | 51 | 23 |
| Other | ton | 0.2 | 91 | 0,2 | 64 | 59 | 71 |
| **Total** | **ton** | **163** | **7,937** | **198** | **9,390** | **290** | **12,379** |

## Waste produced at the production plants in 2021 (tons)


## Hazardous waste produced in 2021 broken down by disposal method




## Non-hazardous waste produced in 2021 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 2021, 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 and have no employees registered at 31.12;

The figures relative to 2021 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 2021 figures for the above-mentioned acquisitions many not be entirely consistent with the prior three-year reporting period.

The information and figures used in this section refer to 2021.

The De'Longhi Group used the GRI Sustainability Reporting Standards (hereinafter the GRI Standards), published by GRI - Global Reporting Initiative, to prepare its NFS. More in detail, as called for in paragraph 3, Standard GRI 101: Foundation, the "Reconciliation of De'Longhi's material topics and the GRI Standards", shown below ("GRI-referenced" claim), shows the reporting standards used. In addition to what is shown in this table, the following standards were also used in this NFS: **GRI 102 - General Disclosures 2016** (102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-8, 102-9, 102-10, 102-11, 102-13, 102-18, 102-40, 102-42, 102-43, 102-44, 102-45, 102-46, 102-47, 102-48, 102-49, 102-50, 102-52, 102-53, 102-56) and **GRI 103 - Management Approach 2016** (103-1, 103-2).

## Definition of the material topics

In accordance with Legislative Decree 254/2016, as amended, this statement provides a description of the De'Longhi Group qualitative/quantitative performances with respect to the topics deemed material for the Group and its stakeholders.

In 2017 the De'Longhi Group carried out a materiality analysis in accordance with GRI 101 - Foundation and the disclosure standards GRI 102-46 and 102-47 in order to determine the material topics based on the economic, environmental and social impact of its businesses and their influence on the assessments and decisions of the Group's stakeholders that are focused on in the NFS 2021. This process was updated in 2021.

The Group's material topics were defined after having completed the following analyses:

- analysis of sector sustainability trends: mapping of the main non-financial topics reported on by the Group's peers;
- analysis of the sector trends: mapping of the main non-financial topics deemed material for the home appliances sector based on the publications of a few international organizations such as, for example, GRI, RobecoSam, SASB, S&P Global Ratings;
- analysis of pressures from customers and consumers;
- analysis of pressures from financial analysts;
- analysis of company priorities: through interviews of management and analysis of the main corporate documents such as, for example, Sustainability Policy, the Code of Ethics, the Code of Conduct, the 231 Model.

The results of these analyses led to the definition of the non-financial aspects that are the most material and key to understanding the company's business, performance, results, as well as impact, and, therefore, reported on in the De'Longhi Group's non-financial report. More in detail, more weight was given to the topics that better express the expectations of the stakeholders that are the most dependent on the Group and that can have the greatest impact on corporate strategies. The topics identified were then, subsequently, assessed and integrated by company management based on priorities and strategic objectives.

The material topics reported on in this consolidated Non-Financial Report for each area of Legislative Decree 254 are shown below. For the sake of greater clarity and to facilitate the comparison of the GRI Standards, the material topics and the areas covered under the Decree are shown in the chart below which also includes the topic perimeter and any boundaries.

## Reconciliation of De'Longhi's material topics with the GRI Standards [12]

| Decree 254 | Macro Areas | Material Topics | GRI standards | Topic-Specific GRI disclosure | Topic perimeter | | Boundaries of the reporting perimeter | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Internal | External | Internal | External |
| **Fight against corruption** | Compliance | Business ethics and integrity | GRI 205 - Anti-corruption (2016) | GRI 205-2 (points b,c,e); GRI 205-3 | Group | Commercial partners | - | - |
| | | | GRI 206 - Anti-competitive behavior (2016) | GRI 206-1 | Group | - | - | - |
| | | Use of cosumer data | GRI 418 - Customer privacy | GRI 418-1 | Group | - | - | - |
| | | Product safety and labelling | GRI 416 - Customer health and safety | GRI 416-1 | Group | - | - | - |
| | | | GRI 417 - Marketing and labeling | GRI 417-2; GRI 417-3 | Group | - | - | - |
| **Human resources managment Human rights** | Personnel | Attraction and development of talents | GRI 404 - Training and education (2016) | GRI 404-1 | Group | - | - | - |
| | | Inclusion and equal opportunities | GRI 405 - Diversity and equal opportunity (2016) | GRI 405-1 | Group | - | - | - |
| | | Health and safety of employees | GRI 403 - Occupational health and safety (2018) | GRI 403-9 | Group | Suppliers Contact Centers | - | Reporting does not involve the Contact Centers |
| | | Respect of human rights | GRI 412 - Human rights assessment | GRI 412-1 | Group | Suppliers | - | Reporting does not involve suppliers |
| **Social aspects** | Clients and products | Innovation and eco-design | Non GRI topic | - | Group | OEM suppliers | - | - |
| | | Consumer satisfaction | Non GRI topic | - | Group | - | - | - |
| | | Promotion of sustainable lifestyles | Non GRI topic | - | Group | - | - | - |
| **Social aspects Environmental aspects** | Supply chain and community | Responsible management of the supply chain | GRI 308 - Supplier environmental assessment | GRI 308-1 | Group | - | - | - |
| | | | GRI 414 - Supplier social assessment (2016) | GRI 414-1 | Group | Suppliers | - | - |
| **Environmental aspects** | Environment | Management of GHG emissions and fight against climate change | GRI 302 - Energy (2016) | GRI 302-1; GRI 302-3 | Group | - | - | - |
| | | | GRI 305 - Emissions (2016) | GRI 305-1; GRI 305-2; GRI 305-4 | Group | Suppliers Contact Centers | - | Reporting does not involve suppliers or Contact Centers |
| | | Waste management and circular economy | GRI 306 - Waste (2020) | GRI 306-3; GRI 306-4; GRI 306-5 | Group | - | Reporting does not involve offices | - |

12 In addition to the 13 topics reported in the matrix, the following non-material issues were also analyzed: community relations, management of water resources, polluting emissions, protection of bio-diversity.

With regard to the topics referred to explicitly in Legislative Decree 254/2016, please note that water consumption, the dialogue with social entities and the agreements of international and supranational organizations did not result material in the materiality analysis. These topics, therefore, are not reported on in this report.

## The main risks associated with non-financial issues and management method

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

| 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<br>• Risks tied to the Group's current or past commercial relationships with related parties<br>• Reputational risk | • Group Code of Ethics<br>• Model of organization, management and control pursuant to Legislative Decree 231/2001<br>• Group's internal control and compliance system<br>• Corporate Governance Guidelines<br>• 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.<br>• With regard to the Chinese platform, there are also a few risks related to high turnover of Chinese blue-collar workers<br>• Risks tied to possible instances of discrimination | • Group Code of Ethics<br>• Model of organization, management and control pursuant to Legislative Decree 231/2001<br>• Group's internal control and compliance system<br>• OHSAS 18001 compliant organizational model<br>• Worker safety and health policy in place at European plants<br>• Compensation policy for the BoD and executives with strategic responsibilities<br>• Performance review process<br>• MBO procedure<br>• Employee surveys<br>• 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**<br>• Risks connected to the De' Longhi Group's to continue with product innovation<br>• Risks associated with patents and trademarks<br>• Risks connected to product quality and liability for violations of the quality standards applied in the different jurisdictions where the Group<br>• 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<br>• UNI EN ISO 9001:2015 certified Quality System<br>• Food safety management model<br>• Quality policy<br>• NPD procedures<br>• Quality audits<br>• Constant monitoring of regulatory changes<br>• Registration of product patents and trademarks |
| **Social aspects** | **Consumer relations**<br>• 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<br>• Risks relating to IT systems: in relation to events which could compromise service continuity and integrity of the data | • Group Code of Ethics<br>• Model of organization, management and control pursuant to Legislative Decree 231/2001<br>• Group's internal control and compliance system<br>• GDPR policy (includes policy for the storage of data and procedure for the management of data breaches)<br>• Training of employees in IT safety and privacy<br>• Presence of structures dedicated to monitoring the level of customer satisfaction |
| **Social aspects Human rights** | **Supply chain management**<br>• Risks connected to supplier relationships with regard, in particular, to reliable product quality, logistics and timely deliveries, as well as relationships with company employees<br>• Risk of being dependent on a single supplier for certain types of components for strategic products | • Group Code of Ethics<br>• Model of organization, management and control pursuant to Legislative Decree 231/2001<br>• Procedure for Related Party Transactions<br>• 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 breakdown or malfunctions were to occur<br>• Risks connected to climate change: extreme weather conditions (like floods, high levels of precipitation, hurricanes) could undermine the Group's ability to operate<br>• 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<br>• UNI EN ISO 14001:2015 certified environmental management system for the European plants<br>• Group's internal control and compliance system<br>• Environmental policy applicable also the production facilities in Mignagola and Cluj<br>• With regard to the risks connected to climate change, the Group adheres to the standards and management methods shaped by the UNI EN ISO 14001:2015 environmental management system. In 2021 the risk perceived by the Group's main companies relative to the possible impact that climate change could have on the business was mapped; this mapping will be expanded to include all the Group's branches in 2022 |

## The reporting process and the methods of calculation used

The content used in the NFS 2021 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:

- Similar to what happened in the prior year (2020), the Group adopted the most recent version of the Disclosure GRI 403 (Occupational Health and Safety) issued in 2018 by the GRI. The historial data relative to 2019, therefore, was been restated.

  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;
- **Severity rate** is the total number of serious accidents expressed (which resulted in absences of more than 6 months) 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; the **greenhouse gas emissions** are calculated based on the international standard ISO 14064-1. 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.

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 2019, 2020 and 2021.
- **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 2021, 2018 version for 2020, 2017 version for 2019. 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 2018-2020, were used. 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, were used for the United States for the year 2019, while for the years 2020-2021 an average residual mix per eGrid Subregion calculated based on the residual mixes shown in the document 2020 Green-e Energy Residual Mix Emissions Rates was used. 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.

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 2019-2020-2021.

# Subsequent events

After 31 December 2021 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.

With regard to the international scenario, in the first few months of 2022 the European geopolitical situation gradually took a turn for the worse. The rapid escalation of the tensions between Russia and Ukraine has given rise to concerns, first of all, about the safety of everyone, all the employees and their families and, secondly, the economic situation in these markets.

Based on 2021 figures, approximately 5% of the Group's total consolidated revenue was generated in Russia and Ukraine.

The Group has taken the steps necessary to ensure the safety of the personnel at the Ukraine branch, facilitating the relocation of employees to other Group branches, guaranteeing payment of salaries and adequate financial and medical assistance for all employees and their families.

The worsening of the situation in the last few weeks has blocked the commercial branch's activities and puts the recoverability of company assets, receivables with local retailers (including in light of the lack of insurance) and inventory at risk.

With regard to the Group's main assets in Russia - trade receivables and inventory - no critical areas have emerged. Most of the trade receivables are covered by insurance policies stipulated with a premiere international insurance company and to date the exposure is very limited thanks to the payments received already. The delivery of products already in the local warehouse continued and more stringent receivables management measures were adopted.

To date new deliveries to Russia, as well as all the investments and projects in the pipeline, have been blocked.

The Group is carrying out a series of assessments in order to estimate the possible economic and financial impact of a scenario that today is entirely uncertain for both the commercial and global markets.

During a meeting held today, the Board of Directors approved a donation of €1 million order to support the people affected by the conflict in Ukraine.

Lastly, with regard to the production and the investments made to increase and improve production capacity, in February 2022 a new plant was acquired in Romania which will be added to the two existing facilities.

Other than the above, no other significant events occurred after the close of the year.

# Outlook

At present, the main elements that will affect the macro-economic scenario in the coming months are on the one hand the progressive improvement of the pandemic outlook in developed countries and on the other hand the cost inflationary trend of some production factors and the tragic events of the Ukrainian conflict, whose developments make the business evolution in an important part of the Eastern European region difficult to read.

Compared to the initial guidance on 2022 sales growth shared at the end of January, there are now risks that the ongoing conflict, in the absence of a peaceful resolution and normalization in the short term, will have material repercussions on the Russian and Ukrainian markets, for whose assessment we believe it is necessary to use great caution.

Nonetheless, the Group's core business can count on structural trends, particularly in coffee, on geographic diversification and on the strength of leading brands which, on the whole, exert a positive balance with respect to the aforementioned critical factors

In the words of the CEO, Massimo Garavaglia:

*"2021 was a year of important results both in terms of growth and value creation. There results not only testify to the success of a strategy based on long-term vision, product innovation, manufacturing excellence and continuous investments, but also encourage us to continue on the path we have undertaken, convinced that we can count on structural growth trends in our "core" segments and on the strength of our brands,*

*Sadly, these days we are witnessing tragic war scenarios that leave us deeply shocked and worried about the possible future implications. We feel close to all the victims of this terrible conflict and in particular our priority commitment is aimed at providing the assistance necessary to ensure the safety of our staff and their families.*

*These geopolitical developments lead us to prudently reconsider the contribution to sales of the two markets involved in the crisis. Furthermore, with a view to medium-term development, we intend to give continuity to the investment plans in communication and in the strengthening of the organizational and production structure already planned."*

*Treviso, 10 March 2022*

*For the Board of Directors*
*Chief Executive Officer*

Massimo Garavaglia

# Group annual report and financial statements

## Consolidated financial statements


Consolidated income statement

Consolidated statement of comprehensive income

Consolidated statement of financial position

Consolidated statement of cash flows

Consolidated statement of changes in net equity

# Consolidated income statement



| (€/000) | *Notes* | 2021 | *of which operative non-recurring* | 2020 | *of which operative non-recurring* |
|---|---|---|---|---|---|
| Revenue from contracts with customers | *1* | 3,196,253 | | 2,332,567 | |
| Other revenues | *1* | 25,334 | | 18,690 | |
| **Total consolidated revenues** | | **3,221,587** | | **2,351,257** | |
| Raw and ancillary materials, consumables and goods | *2* | (1,630,172) | | (1,078,397) | *(713)* |
| Change in inventories of finished products and work in progress | *3-8* | 254,836 | *(14,978)* | 41,191 | |
| Change in inventories of raw and ancillary materials, consumables and goods | *3* | 46,710 | | 26,180 | |
| **Materials consumed** | | **(1,328,626)** | ***(14,978)*** | **(1,011,026)** | ***(713)*** |
| Payroll costs | *4-8* | (385,972) | *(10,667)* | (301,042) | *(8,529)* |
| Services and other operating expenses | *5-8-15* | (997,413) | *289* | (674,140) | *(11,758)* |
| Provisions | *6-8* | (28,967) | *(5,406)* | (22,050) | |
| Amortization | *7-15* | (93,679) | | (80,993) | |
| **EBIT** | | **386,930** | ***(30,762)*** | **262,006** | ***(21,000)*** |
| Net financial income (expenses) | *9-15* | 13,321 | | (5,692) | |
| **Profit (loss) before taxes** | | **400,251** | | **256,314** | |
| Taxes | *10* | (88,502) | | (56,181) | |
| **Consolidated profit (loss)** | | **311,749** | | **200,133** | |
| Profit (loss) pertaining to minority | *31* | 651 | | - | |
| **Consolidated profit (loss) after taxes** | | **311,098** | | **200,133** | |
| **Earnings per share (in Euro)** | ***32*** | | | | |
| - basic | | € 2.08 | | € 1.34 | |
| - diluted | | € 2.03 | | € 1.31 | |

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) | 2021 | 2020 |
|---|---|---|
| **Consolidated profit (loss)** | **311,749** | **200,133** |
| **Other components of the comprehensive income:** | | |
| - Change in fair value of cash flow hedges and financial assets available for sale | 9,605 | (4,031) |
| - Tax effect on change in fair value of cash flow hedges and financial assets available for sale | (2,278) | 1,054 |
| - Differences from translating foreign companies' financial statements into Euro | 60,729 | (47,491) |
| - OCI pertaining to equity investments consolidated by equity method | 184 | - |
| **Total other comprehensive income will subsequently be reclassified to profit (loss) for the year** | **68,240** | **(50,468)** |
| - Actuarial valuation funds | 3,057 | (1,911) |
| - Tax effect of actuarial valuation funds | (871) | 538 |
| **Total other comprehensive income will not subsequently be reclassified to profit (loss) for the year** | **2,186** | **(1,373)** |
| **Total components of comprehensive income** | **70,426** | **(51,841)** |
| **Total comprehensive income** | **382,175** | **148,292** |
| **Total comprehensive income attributable to:** | | |
| Group | 381,491 | 148,292 |
| Minority interest | 684 | - |

# Consolidated statement of financial position



| ASSETS (€/000) | *Notes* | 31.12.2021 | 31.12.2020 (*) |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | | 867,877 | 686,781 |
| *- Goodwill* | *11* | *358,405* | *257,544* |
| *- Other intangible assets* | *12* | *509,472* | *429,237* |
| Property, plant and equipment | | 388,478 | 322,764 |
| *- Land, property, plant and machinery* | *13* | *178,946* | *138,517* |
| *- Other tangible assets* | *14* | *135,813* | *120,645* |
| *- Right of use assets* | *15* | *73,719* | *63,602* |
| Equity investments and other financial assets | | 82,475 | 104,539 |
| *- Equity investments* | *16* | *7,331* | *30,073* |
| *- Receivables* | *17* | *4,605* | *4,480* |
| *- Other non-current financial assets* | *18* | *70,539* | *69,986* |
| Deferred tax assets | *19* | 74,297 | 58,455 |
| **Total non-current assets** | | **1,413,127** | **1,172,539** |
| **Current assets** | | | |
| Inventories | *20* | 769,253 | 432,105 |
| Trade receivables | *21* | 366,668 | 397,337 |
| Current tax assets | *22* | 9,492 | 6,541 |
| Other receivables | *23* | 43,148 | 30,118 |
| Current financial receivables and assets | *24-15* | 302,077 | 243,005 |
| Cash and cash equivalents | *25* | 1,026,081 | 662,947 |
| **Total current assets** | | **2,516,719** | **1,772,053** |
| Non-current assets held for sale | *26* | 1,055 | 977 |
| **Total assets** | | **3,930,901** | **2,945,569** |

(*) The figures at 31/12/2020 were restated, in accordance with IFRS 3, following definitive recognition of the Capital Brands business combination.

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 | 31.12.2021 | 31.12.2020 (*) |
|---|---|---|---|
| **Net equity** | | | |
| Group portion of net equity | | 1,568,577 | 1,267,354 |
| *- Share Capital* | 29 | *226,344* | *225,823* |
| *- Reserves* | 30 | *1,031,135* | *841,398* |
| *- Profit (loss) pertaining to the Group* | | *311,098* | *200,133* |
| Minority interest | 31 | 2,018 | - |
| **Total net equity** | | **1,570,595** | **1,267,354** |
| **Non-current liabilities** | | | |
| Financial payables | | 681,020 | 507,335 |
| *- Banks loans and borrowings (long-term portion)* | 33 | *357,457* | *330,012* |
| *- Other financial payables (long-term portion)* | 34 | *266,335* | *129,330* |
| *- Lease liabilities (long-term portion)* | 15 | *57,228* | *47,993* |
| Deferred tax liabilities | 19 | 70,070 | 56,440 |
| Non-current provisions for contingencies and other charges | | 119,421 | 110,921 |
| *- Employee benefits* | 35 | *53,378* | *51,288* |
| *- Other provisions* | 36 | *66,043* | *59,633* |
| **Total non-current liabilities** | | **870,511** | **674,696** |
| **Current liabilities** | | | |
| Trade payables | 37 | 936,229 | 582,193 |
| Financial payables | | 292,589 | 240,617 |
| *- Banks loans and borrowings (short-term portion)* | 33 | *221,691* | *132,867* |
| *- Other financial payables (short-term portion)* | 34 | *51,860* | *89,572* |
| *- Lease liabilities (short-term portion)* | 15 | *19,038* | *18,178* |
| Current tax liabilities | 38 | 120,900 | 66,498 |
| Other payables | 39 | 140,077 | 114,211 |
| **Total current liabilities** | | **1,489,795** | **1,003,519** |
| **Total net equity and liabilities** | | **3,930,901** | **2,945,569** |

(*) The figures at 31/12/2020 were restated, in accordance with IFRS 3, following definitive recognition of the Capital Brands business combination.

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 | 2021 | 2020 (*) |
|---|---|---|---|
| Profit (loss) pertaining to the Group | | 311,098 | 200,133 |
| Income taxes for the period | | 88,502 | 56,181 |
| Amortization | | 93,679 | 80,992 |
| Net change in provisions and other non-cash items | | 3,576 | 15,603 |
| **Cash flow generated by current operations (A)** | | **496,855** | **352,909** |
| **Change in assets and liabilities for the period:** | | | |
| Trade receivables | | 47,954 | 45,087 |
| Inventories | | (312,921) | (67,370) |
| Trade payables | | 320,996 | 184,877 |
| Other changes in net working capital | | 13,911 | (6,785) |
| Payment of income taxes | | (64,187) | (41,290) |
| **Cash flow generated (absorbed) by movements in working capital (B)** | | **5,753** | **114,519** |
| **Cash flow generated by current operations and movements in working capital (A+B)** | | **502,608** | **467,428** |
| **Investment activities:** | | | |
| Investments in intangible assets | | (16,723) | (14,652) |
| Other cash flows for intangible assets | | 978 | 793 |
| Investments in property, plant and equipment | | (88,373) | (66,609) |
| Other cash flows for property, plant and equipment | | 964 | 15 |
| Investments in leased assets | | (30,018) | (10,347) |
| Other cash flows for leased assets | | 891 | 1,548 |
| Net investments in financial assets and in minority interest | | (54) | (264) |
| **Cash flow absorbed by ordinary investment activities (C)** | | **(132,335)** | **(89,516)** |
| **Cash flow by operating activities (A+B+C)** | | **370,273** | **377,912** |
| **Cash flows absorbed by the acquisition of Capital Brands (D)** | | **(98,866)** | **(329,303)** |
| Change in currency translation reserve on cash and cash equivalents | | 46,112 | (18,066) |
| Purchase of treasury shares | | - | (14,534) |
| Exercise of stock option | | 7,110 | 21,452 |
| Dividends paid | | (80,671) | (80,477) |
| New loans | | 450,000 | 200,000 |
| Payment of interests on loans | | (3,923) | (3,750) |
| Repayment of loans and other net changes in sources of finance | | (327,552) | (221,778) |
| Changes in minority interests | | 651 | - |
| **Cash flow generated (absorbed) by changes in net equity and by financing activities (E)** | | **91,727** | **(117,153)** |
| **Cash flow for the period (A+B+C+D+E)** | | **363,134** | **(68,544)** |
| **Opening cash and cash equivalents** | *25* | **662,947** | **731,491** |
| Cash flow for the period (A+B+C+D+E) | | 363,134 | (68,544) |
| **Closing cash and cash equivalents** | *25* | **1,026,081** | **662,947** |

(*) The figures at 31/12/2020 were restated, in accordance with IFRS 3, following definitive recognition of the Capital Brands business combination.

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 | Extraordi-nary 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 2019** | **224,250** | **162** | **42,573** | **144,538** | **-** | **(485)** | **10,078** | **32,433** | **575,900** | **161,005** | **1,190,454** | **-** | **1,190,454** |
| Allocation of 2019 result as per AGM resolution of 22 April 2020 and AGM resolution of 15 December 2020 | | | | | | | | | | | | | |
| - distribution of dividends | | | | (80,813) | | | | | | | (80,813) | | (80,813) |
| - allocation to reserves | | | 2,277 | 116,817 | | | | | 41,911 | (161,005) | - | | - |
| Fair value stock option | | | | | | | 2,502 | | | | 2,502 | | 2,502 |
| Exercise of stock option | 1,573 | 25,676 | | | | | (5,796) | | | | 21,453 | | 21,453 |
| Treasury shares purchase | | | | | (14,534) | | | | | | (14,534) | | (14,534) |
| **Movements from transactions with shareholders** | **1,573** | **25,676** | **2,277** | **36,004** | **(14,534)** | **-** | **(3,294)** | **-** | **41,911** | **(161,005)** | **(71,392)** | **-** | **(71,392)** |
| Profit (loss) after taxes | | | | | | | | | | 200,133 | 200,133 | | 200,133 |
| Other components of comprehensive income | | | | | | (2,977) | | (47,491) | (1,373) | | (51,841) | | (51,841) |
| **Comprehensive income (loss)** | **-** | **-** | **-** | **-** | **-** | **(2,977)** | **-** | **(47,491)** | **(1,373)** | **200,133** | **148,292** | **-** | **148,292** |
| **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** |
| | | | | | | | | | | | | | |
| **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** |

# Group annual report and financial statements

Explanatory notes

# Explanatory notes

## Group business

The De' Longhi Group is headed up by the parent De' Longhi S.p.A., a company with its registered office in Treviso whose shares are listed on the Italian stock exchange Euronext Milan run by Borsa Italiana.

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 2021 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 2021), 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 2021 are the same as those used for preparing the consolidated financial statements at 31 December 2020. The new amendments and accounting standards, described below, had no significant impacts on the present financial statements.

The consolidated financial statements at 31 December 2021 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 present annual financial report, prepared in the ESEF format (European Single Electronic Format), was approved and authorized for publication by the Board of Directors on 10 March 2022. The financial statements used for consolidation purposes are the separate ones for the year ended 31 December 2021 prepared by the Boards of Directors 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, and under the assumption of going concern. Even though the unpredictability of the epidemic's potential impact is still the source of considerable uncertainty, the Group, in light of the actions taken to limit risks and its business model, as well as the good results obtained in 2021 which confirmed the effectiveness of the strategy implemented to address the health crisis, believes that there are no elements which could compromise the business as a going concern as per paragraph 25 of IAS 1. Furthermore, at the date of this Report there are no elements, connected to the health crisis, to report that had a direct and significant impact on the figures in the financial statements.

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.

## Translation of balances in foreign currencies

The following exchange rates have been used:

| | | 31.12.2021 | | 31.12.2020 | | % Change | |
|---|---|---|---|---|---|---|---|
| | | Period-end exchange rate (*) | Average exchange rate (*) | Period-end exchange rate (*) | Average exchange rate (*) | Period-end exchange rate (*) | Average exchange rate (*) |
| US dollar | USD | 1.1326 | 1.1827 | 1.2271 | 1.1422 | (7.70%) | 3.55% |
| British pound | GBP | 0.8403 | 0.8596 | 0.8990 | 0.8897 | (6.53%) | (3.38%) |
| Hong Kong dollar | HKD | 8.8333 | 9.1932 | 9.5142 | 8.8587 | (7.16%) | 3.78% |
| Chinese renminbi (Yuan) | CNY | 7.1947 | 7.6282 | 8.0225 | 7.8747 | (10.32%) | (3.13%) |
| Australian dollar | AUD | 1.5615 | 1.5749 | 1.5896 | 1.6549 | (1.77%) | (4.83%) |
| Canadian dollar | CAD | 1.4393 | 1.4826 | 1.5633 | 1.5300 | (7.93%) | (3.10%) |
| Japanese yen | JPY | 130.3800 | 129.8767 | 126.4900 | 121.8458 | 3.08% | 6.59% |
| Malaysian ringgit | MYR | 4.7184 | 4.9015 | 4.9340 | 4.7959 | (4.37%) | 2.20% |
| New Zealand dollar | NZD | 1.6579 | 1.6724 | 1.6984 | 1.7561 | (2.38%) | (4.77%) |
| Polish zloty | PLN | 4.5969 | 4.5652 | 4.5597 | 4.4430 | 0.82% | 2.75% |
| South African rand | ZAR | 18.0625 | 17.4766 | 18.0219 | 18.7655 | 0.23% | (6.87%) |
| Singapore dollar | SGD | 1.5279 | 1.5891 | 1.6218 | 1.5742 | (5.79%) | 0.95% |
| Russian rouble | RUB | 85.3004 | 87.1527 | 91.4671 | 82.7248 | (6.74%) | 5.35% |
| Turkish lira | TRY | 15.2335 | 10.5124 | 9.1131 | 8.0547 | 67.16% | 30.51% |
| Czech koruna | CZK | 24.8580 | 25.6405 | 26.2420 | 26.4551 | (5.27%) | (3.08%) |
| Swiss franc | CHF | 1.0331 | 1.0811 | 1.0802 | 1.0705 | (4.36%) | 0.99% |
| Brazilian real | BRL | 6.3101 | 6.3779 | 6.3735 | 5.8943 | (0.99%) | 8.20% |
| Croatian kuna | HRK | 7.5156 | 7.5284 | 7.5519 | 7.5384 | (0.48%) | (0.13%) |
| Ukrainian hryvnia | UAH | 30.9219 | 32.2592 | 34.7689 | 30.8506 | (11.06%) | 4.57% |
| Romanian leu | RON | 4.9490 | 4.9215 | 4.8683 | 4.8383 | 1.66% | 1.72% |
| South Korean won | KRW | 1,346.3800 | 1,354.0600 | 1,336.0000 | 1,345.5800 | 0.78% | 0.63% |
| Chilean peso | CLP | 964.3500 | 898.3900 | 872.5200 | 903.1400 | 10.52% | (0.53%) |
| Hungarian forint | HUF | 369.1900 | 358.5161 | 363.8900 | 351.2494 | 1.46% | 2.07% |
| Swedish krona | SEK | 10.2503 | 10.1465 | 10.0343 | 10.4848 | 2.15% | (3.23%) |
| Mexican peso | MXN | 23.1438 | 23.9852 | 24.4160 | 24.5194 | (5.21%) | (2.18%) |

(*) Source: Bank of Italy.

## International accounting standards adopted by the Group for the first time

A few amendments were applicable for the first time as of 1 January 2021 which did not have a material impact on the Group's report.

The Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2, endorsed on 13 January 2021 relate to the effect that the interest rate benchmark reform and its substitution with alternative benchmark rates could have on financial reporting.

The Amendments to IFRS 4 - Insurance contracts - deferral of IFRS 9, endorsed on 15 December 2020, which allow insurance companies to defer application of IFRS 9, are not relevant for the Group.

With Regulation 1424/2021 of 30 August 2021 the European Commission endorsed the document issued by IASB, Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16) which extends the period of application of the amendment to IFRS 16 issued in 2020. The amendment introduced a practical expedient which simplifies the accounting of any concessions on leases, like the temporary discounts or exemptions from payments, received by tenants during the pandemic. The amendment took effect as of 1 April 2021 and did not have any impact on the Group's financial statements.

## International financial reporting standards and/or interpretations not yet applicable

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.

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). The new standard will be applicable as from 1 January 2023.

In February 2021 IFRS: Definition of Accounting Estimates - Amendments to IAS 8 and Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2, applicable as of 1 January 2023, were issued. The purpose of these amendments is to improve the disclosure of accounting policies in order to provide investors and other primary users of the financial statements with more useful information, as well as help companies distinguish between the changes in accounting estimates from changes in the accounting policy.

On 7 May 2021 IASB published Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 which specifies how deferred tax in relation to leases and decommissioning obligations should be accounted for. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

The date for first time application of the Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture has yet to be determined. The purpose of the amendments is to clarify how to account for the loss of control of a business (governed by IFRS 10), as well as downstream transactions (governed by IAS 28) if the object of the transaction was or was not a business, as defined in IFRS 3.

## Consolidation procedures

The scope of consolidation includes the parent company, De' Longhi S.p.A., and its subsidiaries at 31 December 2021, 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 established that a transaction is to be considered a business combination if the assets acquired and the liabilities assumed constitute a business, namely an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. A business must include at least one input and a substantive process that together significantly contribute to the ability to create output.

In accordance with IFRS 3, business combinations are accounted for using the purchase 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.

In the case of business combinations carried out in more than one phase, (step acquisitions) the value of the non-controlling interest will be restated based on the fair value of the assets at the time of the transactions and any related gain or loss will recognized in profit (loss) for the year.

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.

### 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 eliminated upon consolidation

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

## 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.

## Restatement of comparison figures

In accordance with IFRS 3 - Business combinations, at the end of the measurement period the definitive accounting of the business combinations relative to Capital Brands and Everysys, completed on 29 December 2020 and 1 April 2021, respectively, was recognized.

In the prior accounting documents, it was only possible to determine the temporary fair value at the acquisition date of the assets, liabilities and contingent liabilities.

During the measurement period, including in light of the estimates of the independent appraiser, the information needed to identify and assess the definitive value of the assets, liabilities and, consequently, goodwill was gathered.

The comparison figures provided in the statement of financial position 31 December 2020 were restated to reflect the latest valuations of Capital Brands, acquired on 29 December 2020.

No income statement figures were restated.

The details of the restated figures are provided below:

| | Official figures | Effects deriving from the definitive accounting PPA Capital Brands | Restated figures |
|---|---|---|---|
| **Assets** | **2,882,751** | **62,818** | **2,945,569** |
| **Non-current assets** | **1,117,095** | **55,444** | **1,172,539** |
| Goodwill | 398,514 | (140,970) | 257,544 |
| Other intangible assets | 233,352 | 195,885 | 429,237 |
| Tangible assets | 323,658 | (894) | 322,764 |
| Equity investments and other financial assets | 104,539 | - | 104,539 |
| Deferred tax assets | 57,032 | 1,423 | 58,455 |
| **Current assets** | **1,764,679** | **7,374** | **1,772,053** |
| Inventories | 423,977 | 8,128 | 432,105 |
| Trade receivables | 398,054 | (717) | 397,337 |
| Current tax assets | 6,541 | - | 6,541 |
| Other receivables | 30,155 | (37) | 30,118 |
| Current financial receivables and assets | 243,005 | - | 243,005 |
| Cash and cash equivalents | 662,947 | - | 662,947 |
| **Non-current assets held for sales** | **977** | **-** | **977** |
| **Net equity and liabilities** | **2,882,751** | **62,818** | **2,945,569** |
| **Net equity** | **1,267,354** | **-** | **1,267,354** |
| **Non-current liabilities** | **616,216** | **58,480** | **674,696** |
| Financial payables | 507,335 | - | 507,335 |
| Deferred tax liabilities | 9,235 | 47,205 | 56,440 |
| Non-current provisions for contingencies and other charges | 99,646 | 11,275 | 110,921 |
| **Current liabilities** | **999,181** | **4,338** | **1,003,519** |
| Trade payables | 581,860 | 333 | 582,193 |
| Financial payables | 236,612 | 4,005 | 240,617 |
| Current tax liabilities | 66,498 | - | 66,498 |
| Other payables | 114,211 | - | 114,211 |

## Change in the scope of consolidation - Business combinations

### Capital Brands

The acquisition of Capital Brands Holding Inc. was finalized on 29 December 2020; for more information refer to the 2020 Annual Report.

As the assets acquired and the liabilities assumed constitute the acquisition of a business, the transaction is considered a business combination pursuant to IFRS 3.

The parties, having agreed on an adjusted purchase price, set the consideration for the acquisition at USD 354.8 million (equity value).

During the year the business combination was definitively accounted for in accordance with IFRS 3 - Business combination.

The temporary allocation of the purchase price to the assets and liabilities acquired as a result of the transaction is summarized below:

| | Values in $/000 | Values in €/000 |
|---|---|---|
| Total value of the transaction | 354,850 | 289,403 |
| Fair value of assets acquired | 152,479 | 124,259 |
| Goodwill | 202,371 | 165,144 |

The definitive value of the assets and liabilities acquired as a result of the business combination is summarized below:

| | Definitive fair value of assets and liabilities acquired as a result of the business combination ($/000) | Definitive fair value of assets and liabilities acquired as a result of the business combination (€/000) |
|---|---|---|
| Trademark | 132,600 | 108,060 |
| Other intangible assets | 123,758 | 100,854 |
| Tangible assets | 6,796 | 5,538 |
| Financial assets | 1,004 | 818 |
| Deferred tax assets | 6,780 | 5,525 |
| Trade receivables | 42,841 | 34,912 |
| Inventories | 41,466 | 33,792 |
| Other current assets | 1,022 | 833 |
| Cash and cash equivalents | 22,188 | 18,082 |
| **Total assets** | **378,455** | **308,414** |
| Trade payables | 58,163 | 47,399 |
| Other current liabilities | 12,568 | 10,242 |
| Financial payables | 76,063 | 61,986 |
| Provisions for contingencies and other charges | 79,182 | 64,528 |
| **Total liabilities** | **225,976** | **184,155** |
| **Net assets** | **152,479** | **124,259** |
| **Acquired share (100%)** | **152,479** | **124,259** |

### Eversys

On 22 March 2021, De' Longhi announced that it had reached an agreement to take over the remaining 60% stake and obtain full control of Eversys, a Swiss group active in the design and marketing of professional espresso machines, with a specific focus on fully automatic machines for which it has developed a highly innovative technology which ensures premium brand positioning in its sector.

The Eversys Group includes the holding, Eversys Holding S.A., and a few subsidiaries active mainly in Europe, the United States and Canada.

The price paid for the 60% stake was set at CHF 110 million.

As the assets acquired and the liabilities assumed constitute the acquisition of a business, the transaction is considered a business combination pursuant to IFRS 3.

Given that business combination was made in stages, the value of the non-controlling interest already held by the Group was redetermined taking into account the fair value of the net assets acquired at the date of the transaction as calculated by an independent appraiser. Based on this appraisal, a gain of €25,328 thousand was recognized as financial income in the reporting period.

The Eversys figures were consolidated using the line-by-line method as of 1 April 2021 based on the most recent interim financial statements available.

During the year the definitive accounting of the business combination was recognized in accordance with IFRS 3 - Business combinations.

The temporary allocation of the purchase price to the assets and liabilities acquired as a result of the transaction is summarized below:

| | CHF/000 amounts | €/000 amounts |
|---|---:|---:|
| Total value of acquired assets | 160,066 | 145,378 |
| Fair value of acquired net assets | 69,849 | 63,098 |
| Goodwill | 90,217 | 82,280 |

The definitive value of the assets and liabilities acquired as a result of the business combination is summarized below:

| | Definitive fair value of assets and liabilities acquired as a result of the business combination (CHF/000) | Definitive fair value of assets and liabilities acquired as a result of the business combination (€/000) |
|---|---:|---:|
| Trademark | 36,300 | 32,791 |
| Patent | 34,000 | 30,714 |
| Other non-current assets | 17,207 | 15,544 |
| Trade receivables | 11,080 | 10,009 |
| Inventories | 17,802 | 16,081 |
| Other current assets | 2,344 | 2,117 |
| Cash and cash equivalents | 5,574 | 5,035 |
| **Total assets** | **124,306** | **112,291** |
| Trade payables | 2,407 | 2,174 |
| Other current liabilities | 3,037 | 2,743 |
| Financial payables | 31,856 | 28,777 |
| Provisions for contingencies and other charges | 17,157 | 15,499 |
| **Total liabilities** | **54,457** | **49,193** |
| **Net assets** | **69,849** | **63,098** |
| **Acquired share (100%)** | **69,849** | **63,098** |

## Disclosure by operating segments

Please refer to Note 46. Operating segments.

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

# 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 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 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 a deposit guaranteed by the receivables themselves; 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.

The Group underwrites a limited number of securities without, however, prejudice to the ability to derecognize 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 trade receivables amount.

## 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 in the other comprehensive income.

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.

# C Comments on the income statement[1]

## 1. Revenues

In 2021 revenues, including revenues from sales and services and other revenues, amount to 3,221,587 thousand (€2,351,257 thousand in 2020).

Revenues are broken down by geographical area as follows:

| | 2021 | % revenues | 2021 on like-for-like basis | % revenues | 2020 | % revenues | Change | Change % |
|---|---|---|---|---|---|---|---|---|
| Europe | 2,076,291 | 64.4% | 2,032,965 | 69.6% | 1,628,449 | 69.3% | 404,516 | 24.8% |
| Americas | 562,751 | 17.5% | 346,466 | 11.8% | 266,868 | 11.3% | 79,598 | 29.8% |
| Asia Pacific | 400,277 | 12.4% | 367,683 | 12.6% | 333,472 | 14.2% | 34,211 | 10.3% |
| MEIA (Middle East/India/ Africa) | 182,268 | 5.7% | 175,014 | 6.0% | 122,468 | 5.2% | 52,546 | 42.9% |
| **Total** | **3,221,587** | **100.0%** | **2,922,128** | **100.0%** | **2,351,257** | **100.0%** | **570,871** | **24.3%** |

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:

| | 2021 | 2021 on like-for-like basis | 2020 | Change |
|---|---|---|---|---|
| Freight reimbursement | 4,796 | 4,389 | 3,335 | 1,054 |
| Commercial rights | 2,375 | 1,871 | 1,534 | 337 |
| Grants and contributions | 1,329 | 1,329 | 1,312 | 17 |
| Damages reimbursed | 35 | 35 | 472 | (437) |
| Out-of-period gains | 12 | 12 | 99 | (87) |
| Other income | 16,787 | 12,691 | 11,938 | 753 |
| **Total** | **25,334** | **20,327** | **18,690** | **1,637** |

With regard to Law n. 124 of 4 August 2017, which regulates transparency in public funding, the item "Grants and contributions" includes income of €342 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.

1 With reference to income statement values, changes are reported on like-for-like basis, namely excluding the balances pertaining to Capital Brands and Eversys.

## 2. Raw and ancillary materials, consumables and goods

The breakdown is as follows:

| | 2021 | 2021 on like-for-like basis | 2020 | Change |
|---|---|---|---|---|
| Parts | 766,396 | 745,249 | 535,213 | 210,036 |
| Finished products | 691,435 | 559,171 | 439,474 | 119,697 |
| Raw materials | 149,916 | 149,310 | 85,765 | 63,545 |
| Other purchases | 22,425 | 20,530 | 17,945 | 2,585 |
| **Total** | **1,630,172** | **1,474,260** | **1,078,397** | **395,863** |

## 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 and on the changes in the consolidation area after the acquisition of Eversys.

## 4. Payroll costs

These costs include €132,442 thousand in production-related payroll (€98,909 thousand at 31 December 2020).

| | 2021 | 2021 on like-for-like basis | 2020 | Change |
|---|---|---|---|---|
| Employee wages and salaries | 345,002 | 319,454 | 276,337 | 43,117 |
| Temporary workers | 40,970 | 40,969 | 24,705 | 16,264 |
| **Total** | **385,972** | **360,423** | **301,042** | **59,381** |

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.

In 2021 payroll costs included net non-recurring expenses of €10,667 thousand (€8,529 thousand in 2020). This amount includes a special bonus of €11,213 thousand awarded to all employees and business partners (€9,479 thousand in 2020) approved by the parent company De'Longhi S.p.A.'s Board of Directors which, in light of the excellent performance achieved by the Group during a period of unprecedented crisis, was given as recognition for the employees' commitment and dedication to achieving such significant results.

The item includes €3,578 thousand relating to the notional cost (fair value) of the stock option plan (€2,502 thousand at 31 December 2020); 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:

| | 2021 | 2020 |
|---|---|---|
| Blue collars | 6,694 | 5,746 |
| White collars | 3,074 | 2,753 |
| Managers | 301 | 279 |
| **Total** | **10,069** | **8,778** |

## 5. Services and other operating expenses

These are detailed as follows:

| | 2021 | 2021 on like-for-like basis | 2020 | Change |
|---|---|---|---|---|
| Promotional expenses | 251,610 | 250,962 | 208,164 | 42,798 |
| Advertising | 154,566 | 144,099 | 84,608 | 59,491 |
| Transport (for purchases and sales) | 214,521 | 189,101 | 103,486 | 85,615 |
| Subcontracted work | 67,342 | 65,446 | 46,939 | 18,507 |
| Consulting services | 37,798 | 30,481 | 27,457 | 3,024 |
| Storage and warehousing | 29,439 | 26,636 | 19,564 | 7,072 |
| Technical support | 21,199 | 21,199 | 20,110 | 1,089 |
| Rentals and leasing | 19,331 | 14,571 | 13,519 | 1,052 |
| Commissions | 16,223 | 14,437 | 9,184 | 5,253 |
| Power | 12,769 | 12,711 | 9,613 | 3,098 |
| Insurance | 8,928 | 5,575 | 6,672 | (1,097) |
| Product certification and product inspection fees | 6,949 | 6,707 | 6,108 | 599 |
| Travel | 6,064 | 5,306 | 5,690 | (384) |
| Directors' emoluments | 5,943 | 5,958 | 4,847 | 1,111 |
| Statutory auditors' emoluments | 268 | 266 | 235 | 31 |
| Maintenance | 5,277 | 5,061 | 4,099 | 962 |
| Postage, telegraph and telephones | 4,402 | 3,796 | 3,638 | 158 |
| Other utilities and cleaning fees, security, waste collection | 4,058 | 4,052 | 3,465 | 587 |
| Other sundry services | 46,614 | 43,908 | 34,720 | 9,188 |
| **Total services** | **913,301** | **850,272** | **612,118** | **238,154** |
| Sundry taxes | 71,427 | 67,592 | 48,468 | 19,124 |
| Bad debts | 62 | 117 | 148 | (31) |
| Out-of-period losses | 28 | 28 | 62 | (34) |
| Other | 12,595 | 11,727 | 13,344 | (1,617) |
| **Total other operating expenses** | **84,112** | **79,464** | **62,022** | **17,442** |
| **Total** | **997,413** | **929,736** | **674,140** | **255,596** |

In 2021, the item includes net non-recurring income totaling €289 thousand, of which income of €333 thousand relating to "Other sundry services" net of expenses of €44 thousand relating to "Consulting services".

In 2020, this item included non-recurring costs totaling €11,758 thousand, of which €4,451 thousand, including the donation made to support domestic containment measures and expenses incurred for restructuring underway, classified as "Other", €4,258 thousand and €1,276 thousand relative to consultancies and insurance, respectively, incurred for the Capital Brands acquisition, €1,080 thousand for transportation costs and €693 thousand in various costs relating primarily to the actions taken to limit the impact of the health crisis.

In 2021 the item "Rentals and leasing" includes, in addition to €1,721 thousand in commercial rights (€825 thousand in 2020), operating costs relating to contracts that are not or do not contain a lease (€11,519 thousand, €10,810 thousand in 2020), as well as costs relating to leases of less than twelve months' duration (€5,771 thousand, €1,832 thousand in 2020) or relating to low-value assets (€320 thousand, €52 thousand in 2020); for further information, please refer to note 15. Leases.

## 6. Provisions

These include €23,834 thousand in provisions for contingencies and other charges and €5,133 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 2021, the item also includes non-recurring provisions totaling €5,406 thousand.

## 7. Amortization

The breakdown is as follows:

| | 2021 | 2021 on like-for-like basis | 2020 | Change |
|---|---|---|---|---|
| Amortization of intangible assets | 21,886 | 12,881 | 15,650 | (2,769) |
| Depreciation of property, plant and equipment | 51,504 | 48,610 | 46,226 | 2,384 |
| Depreciation of Right of Use assets | 20,289 | 19,090 | 19,117 | (27) |
| **Total** | **93,679** | **80,581** | **80,993** | **(412)** |

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)

The non-recurring items amounted to €30,762 thousand in 2021 and are detailed in the respective lines of the income statement (expenses of €14,978 thousand in change in inventories, €10,667 thousand in payroll costs, €5,406 thousand in provisions and income of €289 thousand in services and other operating expenses).

The amount includes the special bonus of €11,213 thousand paid to the Group's employees and business partners for the commitment to achieving business targets in the difficult context created by the current health crisis.

The €9,347 thousand in fair value recognized as a result of the Capital Brands and Eversys business combinations was also recognized seperately in non-recurring income/expenses.

The item also includes the impact of a few valuations (€9,971 thousand) of current assts held at the date of this report, updated in light of the current geopolitical situation.

In addition to the above, the 2021 income statement includes a non-recurring items, included in the "Net financial income (expense)" which represents the gain recognized after the business combination, completed in stages, deriving from the fair value re-measurement of the value owned by the Group of the Eversys Group's assets acquired.

## 9. Net financial income (expenses)

Net financial income and expenses are broken down by nature as follows:

| | 2021 | 2021 on like-for-like basis | 2020 | Change |
|---|---|---|---|---|
| **Exchange differences and gains (losses) on currency hedges (*)** | **(655)** | **(32)** | **(1,437)** | **1,405** |
| **Fair value re-measurement of Eversys n.c.i.** | **25,329** | **-** | **-** | **-** |
| **Share of profit of equity investments consolidated by the equity method** | **(813)** | **(813)** | **3,465** | **(4,278)** |
| Net interest expense | (4,834) | (3,703) | (3,699) | (4) |
| Interest for leasing | (1,475) | (1,417) | (1,550) | 133 |
| Other financial income (expenses) | (4,231) | (3,962) | (2,471) | (1,491) |
| **Other net financial income (expenses)** | **(10,540)** | **(9,082)** | **(7,720)** | **(1,362)** |
| **Net financial income (expenses)** | **13,321** | **(9,927)** | **(5,692)** | **(4,235)** |

(*) The item includes €10 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.

"Fair value re-measurement of Eversys n.c.i." includes the gain recognized after the business combination, completed in stages, was completed and the interest already held by the Group was redetermined based on the fair value of the assets acquired.

"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 investment in NPE S.r.l., a supplier of electronic components.

"Net interest" includes bank interest on the Group's financial debt (recalculated using the amortized cost method) and the financial cost of factoring receivables without recourse, 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.

## 10. Income taxes

These are analyzed as follows:

| | 2021 | 2021 on like-for-like basis | 2020 | Change |
|---|---|---|---|---|
| Current income taxes: | | | | |
| - Income taxes | 102,620 | 92,003 | 83,401 | 8,602 |
| - IRAP (Italian regional business tax) | 8,443 | 8,443 | 5,118 | 3,325 |
| Deferred (advanced) taxes | (22,561) | (18,261) | (32,338) | 14,077 |
| **Total** | **88,502** | **82,185** | **56,181** | **26,004** |

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.

The actual and theoretical tax charge are reconciled as follows:

| | 2021 | % | 2021 on like-for-like basis | % | 2020 | % |
|---|---|---|---|---|---|---|
| Profit before taxes | 400,251 | 100.0% | 340,853 | 100.0% | 256,314 | 100.0% |
| Theoretical taxes | 96,060 | 24.0% | 81,805 | 24.0% | 61,515 | 24.0% |
| Other (*) | (16,001) | (4.0%) | (8,063) | (2.4%) | (10,452) | (4.1%) |
| **Total income taxes** | **80,059** | **20.0%** | **73,742** | **21.6%** | **51,063** | **19.9%** |
| IRAP (Italian regional business tax) | 8,443 | 2.1% | 8,443 | 2.5% | 5,118 | 2.0% |
| **Actual taxes** | **88,502** | **22.1%** | **82,185** | **24.1%** | **56,181** | **21.9%** |

(*) 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.

## Non-current assets

### 11. Goodwill

| | 31.12.2021 | | 31.12.2020 (*) | |
|---|---|---|---|---|
| | Gross | Net | Gross | Net |
| Goodwill | 365,152 | 358,405 | 264,291 | 257,544 |

The change in "Goodwill" is explained, for €82,280 thousand, by the recent Eversys acquisition (for more information refer to the section "Changes in the scope of consolidation - Business combinations") and the remainder by the translation at 31 December 2021 of goodwill in currency following the acquisition of foreign 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 by CGU (cash generating unit), namely the historic divisions De'Longhi, Kenwood and Braun, along with Capital Brands and Eversys following the change in perimeter already mentioned above, as follows:

| Cash-generating unit | 31.12.2021 |
|---|---|
| De'Longhi | 26,444 |
| Kenwood | 17,120 |
| Braun | 48,836 |
| Capital Brands | 178,678 |
| Eversys | 87,327 |
| **Total** | **358,405** |

(*) The comparison figures at 31.12.2020 were restated as described in the section "Restatement of comparison figures".

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.

In particular, value in use is determined by applying the discounted cash flow method to forecast cash flows contained in plans prepared assuming realistic scenarios on the information available at the reporting date, also including the 2021-2023 three-year plan, and 2022 budget proposal submitted to the Board of Directors.

Plan data was projected beyond the explicit planning period 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 2% for all the 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 5.2% and 6.2% 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 2021 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 more recently acquired CGUs Braun, 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 5.0% and 6.4%) and the growth rate in terminal value (in the range 1.8%-2.2%).

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 15% from the central point when both variables were altered.

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:

| | 31.12.2021 | | 31.12.2020 (*) | |
|---|---|---|---|---|
| | Gross | Net | Gross | Net |
| New product development costs | 125,616 | 19,704 | 117,711 | 21,780 |
| Patents | 74,830 | 33,436 | 41,433 | 3,082 |
| Trademarks and similar rights | 434,171 | 327,688 | 389,834 | 283,673 |
| Work in progress and advances | 30,223 | 22,663 | 23,062 | 16,085 |
| Other | 132,548 | 105,981 | 123,227 | 104,617 |
| **Total** | **797,388** | **509,472** | **695,267** | **429,237** |

The following table reports movements in the main asset categories during 2021:

| | New product development costs | Patents | Trademarks and similar rights | Work in progress and advances | Other | Total |
|---|---|---|---|---|---|---|
| **Net opening balance (*)** | **21,780** | **3,082** | **283,673** | **16,085** | **104,617** | **429,237** |
| Additions | 2,004 | 237 | 174 | 13,720 | 588 | 16,723 |
| Amortization | (9,981) | (3,043) | (322) | (583) | (7,957) | (21,886) |
| Acquisitions | - | 31,075 | 32,791 | 748 | - | 64,614 |
| Translation differences and other movements (**) | 5,901 | 2,085 | 11,372 | (7,307) | 8,733 | 20,784 |
| **Net closing balance** | **19,704** | **33,436** | **327,688** | **22,663** | **105,981** | **509,472** |

(*) The opening balances were restated as described in the section "Restatement of comparison figures".
(**) "Other movements" refers primarily to the reclassification of intangible assets.

New product development costs" refers to the capitalization of expenses related to projects for the development of innovative products 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 €14,439 thousand in development costs as intangible assets in 2021, of which €2,004 thousand in "New product development costs" for projects already completed at the reporting date and €12,435 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 acquisition of patents and proprietary technology developed by Eversys.

"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, €117.1 million for the Nutribullet/MagicBullet trademark, and €35.1 million for the Eversys trademark.

The impairment test carried out at the end of 2021 for the brands based on an indefinite useful life, 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 6.1% and 7.1% 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 therefore 2% for all the 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 5.9% and 7.3%) and the growth rate in terminal value (in the range 1.8%-2.2%).

The sensitivity analysis has revealed relatively stable results; in fact, the minimum and maximum amounts diverged by around 10% from the central point when both variables were changed.

"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:

| | 31.12.2021 | | 31.12.2020 (*) | |
|---|---|---|---|---|
| | Gross | Net | Gross | Net |
| Land and buildings | 175,020 | 126,100 | 129,262 | 88,153 |
| Plant and machinery | 161,852 | 52,846 | 152,121 | 50,364 |
| **Total** | **336,872** | **178,946** | **281,383** | **138,517** |

The following table reports movements during 2021:

| | Land and buildings | Plant and machinery | Total |
|---|---|---|---|
| **Net opening balance** | **88,153** | **50,364** | **138,517** |
| Additions | 7,411 | 8,278 | 15,689 |
| Disposals | (3) | (418) | (421) |
| Amortization | (6,932) | (11,133) | (18,065) |
| Acquisitions | 10,157 | 907 | 11,064 |
| Translation differences and other movements | 27,314 | 4,848 | 32,162 |
| **Net closing balance** | **126,100** | **52,846** | **178,946** |

The investments in "Land and buildings" refer mainly to 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 and Italy) previously classified under tangible assets in progress.

## 14. Other tangible assets

Other tangible assets are analyzed as follows:

| | 31.12.2021 | | 31.12.2020 (*) | |
|---|---|---|---|---|
| | Gross | Net | Gross | Net |
| Industrial and commercial equipment | 363,063 | 71,046 | 320,600 | 49,881 |
| Other | 99,046 | 26,967 | 89,134 | 22,118 |
| Work in progress and advances | 37,800 | 37,800 | 48,647 | 48,646 |
| **Total** | **499,909** | **135,813** | **458,381** | **120,645** |

(*) The comparison figures at 31.12.2020 were restated as described in the section "Restatement of comparison figures".

The following table reports movements during 2021:

| | Industrial and commercial equipment | Other | Work in progress and advances | Total |
|---|---|---|---|---|
| **Net opening balance (*)** | **49,881** | **22,118** | **48,646** | **120,645** |
| Additions | 26,767 | 11,603 | 34,314 | 72,684 |
| Disposals | (82) | (111) | (47) | (240) |
| Amortization | (24,923) | (8,516) | - | (33,439) |
| Acquisitions | 1,196 | 1,078 | - | 2,274 |
| Translation differences and other movements | 18,207 | 795 | (45,113) | (26,111) |
| **Net closing balance** | **71,046** | **26,967** | **37,800** | **135,813** |

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 to the investments linked to the development of the new headquarters and the improvement in the Romanian production facility.

## 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 2021 are shown below:

| | Land and buildings | Industrial and commercial equipment | Plant and machinery | Other | Total |
|---|---|---|---|---|---|
| **Net opening balance** | **57,471** | **2,249** | **-** | **3,882** | **63,602** |
| Additions | 27,649 | - | - | 2,369 | 30,018 |
| Disposals | (778) | - | (14) | (102) | (894) |
| Amortization | (17,501) | (378) | (4) | (2,406) | (20,289) |
| Acquisitions | 258 | - | 28 | 58 | 344 |
| Translation differences and other movements | 877 | 8 | 1 | 52 | 938 |
| **Net closing balance** | **67,976** | **1,879** | **11** | **3,853** | **73,719** |

(*) The comparison figures at 31.12.2020 were restated as described in the section "Restatement of comparison figures".

In 2021, the result for the period includes depreciation and amortization for €20,289 thousand, interest payable for €1,475 thousand and exchange losses for €10 thousand, while €20,674 thousand in lease payments were reversed.

At 31 December 2021 financial liabilities for leases of €76,266 thousand (of which €57,228 thousand expiring beyond 12 months) including also €5,425 thousand pertaining to the newly acquired Eversys (of which €5,045 thousand expiring beyond 12 months) and financial assets for advanced payments of €365 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 31.12.2021 | Payable within one year | Payable in 1-5 years | Payable in more than five years |
|---|---|---|---|---|
| Lease liabilities | 80,341 | 20,255 | 39,536 | 20,550 |

The adoption of IFRS 16 Lease affected Group net equity at 31 December 2021 for €1,855 thousand.

## 16. Equity investments

Details of equity investments are as follows:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Equity investments consolidated using the equity method | 7,280 | 30,022 |
| Investment measured at fair value | 51 | 51 |
| **Total** | **7,331** | **30,073** |

"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 2021 are shown below:

| | 31.12.2021 |
|---|---|
| **Net opening balance** | **30,022** |
| Interest in net profit | (813) |
| Exchange rate differences | 438 |
| Changes through OCI | 184 |
| Business combination Eversys | (22,551) |
| **Net closing balance** | **7,280** |

## 17. Non-current receivables

The balance at 31 December 2021 of €4,605 thousand comprises €4,604 thousand in security deposits (€4,478 thousand at 31 December 2020).

## 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 €20,109 thousand relating to two bonds with a total nominal value of €20,000 thousand, maturing in 2026 and 2027, respectively, €50,113 thousand relating to floating rate notes with semi-annual and quarterly coupons (par value of €50,000 thousand) maturing in 2026 and €316 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:

| | 31.12.2021 | 31.12.2020 (*) |
|---|---|---|
| Deferred tax assets | 74,297 | 58,455 |
| Deferred tax liabilities | (70,070) | (56,440) |
| **Net closing balance** | **4,227** | **2,015** |

"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:

| | 31.12.2021 | 31.12.2020 (*) |
|---|---|---|
| Temporary differences | 575 | (948) |
| Tax losses | 3,652 | 2,963 |
| **Net closing balance** | **4,227** | **2,015** |

The change in the net asset balance also reflects a decrease of €2,278 thousand relating to the "Fair value and cash flow hedge reserve" recognized in net equity with reference to the fair value evaluation of investments and cash flow hedge derivatives and of €538 thousand in "Profit (loss) carried forward" and relating to the actuarial gains/(losses) recognized in the comprehensive income statement pursuant to the IAS 19 - Employee Benefits.

(*) The comparison figures at 31.12.2020 were restated as described in the section "Restatement of comparison figures".

# Current assets

## 20. Inventories

"Inventories", shown net of an allowance for obsolete and slow-moving goods, can be analyzed as follows:

| | 31.12.2021 | 31.12.2020 (*) |
|---|---|---|
| Finished products and goods | 628,717 | 351,733 |
| Raw, ancillary and consumable materials | 143,280 | 87,538 |
| Work in progress and semi-finished products | 43,909 | 32,098 |
| Inventory writedown allowance | (46,653) | (39,264) |
| **Total** | **769,253** | **432,105** |

The value of inventories is stated after deducting an allowance for obsolete or slow-moving goods totaling €46,653 thousand (€39,264 thousand at 31 December 2020) 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:

| | 31.12.2021 | 31.12.2020 (*) |
|---|---|---|
| Trade receivables | | |
| - due within 12 months | 381,933 | 407,884 |
| - due beyond 12 months | - | 14 |
| Allowance for doubtful accounts | (15,265) | (10,561) |
| **Total** | **366,668** | **397,337** |

Trade receivables are stated net of an allowance for doubtful accounts of €15,265 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.

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 2021 is €198,216 thousand (€165,250 thousand at 31 December 2020). The total amount of receivables factored by the Group (turnover) during 2021 (under Law 52/1991 known as the Factoring Law) was €848,010 thousand (€924,029 thousand during 2020).

Movements in the allowance for doubtful accounts are shown in the following table:

| | 31.12.2020 | Provisions | Utilization | Translation differences and other movements | Changes in consolida-tion area | 31.12.2021 |
|---|---|---|---|---|---|---|
| Allowance for doubtful accounts | 10,561 | 5,134 | (1,088) | 532 | 126 | 15,265 |

The change in the allowance is explained, in addition to translation differences and changes in the consolidation area, to provisions for expected losses and to 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*.

## 22. Current tax assets

These are analyzed as follows:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Direct tax receivables | 3,642 | 2,175 |
| Tax payments on account | 3,527 | 3,460 |
| Tax refunds requested | 2,323 | 906 |
| **Total** | **9,492** | **6,541** |

There are no current tax assets due beyond 12 months.

(*) The comparison figures at 31.12.2020 were restated as described in the section "Restatement of comparison figures".

## 23. Other receivables

"Other receivables" are analyzed as follows:

| | 31.12.2021 | 31.12.2020 (*) |
|---|---:|---:|
| VAT | 22,646 | 14,207 |
| Advances to suppliers | 4,475 | 3,047 |
| Prepaid insurance costs | 2,175 | 1,649 |
| Other tax receivables | 1,837 | 1,468 |
| Employees | 210 | 132 |
| Other | 11,805 | 9,615 |
| **Total** | **43,148** | **30,118** |

This item includes other receivables due beyond 12 months of €30 thousand.

## 24. Current financial receivables and assets

"Current financial receivables and assets" are analyzed as follows:

| | 31.12.2021 | 31.12.2020 |
|---|---:|---:|
| Fair value of derivatives | 11,062 | 10,847 |
| Advances for leasing contracts | 365 | 391 |
| Fair value of other current financial assets | 90,528 | 39,766 |
| Other current financial assets | 200,122 | 192,001 |
| **Total** | **302,077** | **243,005** |

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 €718.2 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 €699.7 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 2021 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 a freehold property of a subsidiary that was classified under non-current assets held for sale, as required under IFRS 5 - *Non-current assets held for sale and discontinued operations*, insofar as the Group initiated a program to locate a buyer and complete the disposal.

The amount corresponds to the net carrying amount, insofar as it is not less than the fair value of the assets held for sale, net of the selling costs.

| | 31.12.2020 | Translation differences | 31.12.2021 |
|---|---:|---:|---:|
| Non-current assets held for sale | 977 | 78 | 1,055 |

(*) The comparison figures at 31.12.2020 were restated as described in the section "Restatement of comparison figures".

# C 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 21 April 2021 the Shareholders' Meeting of De' Longhi S.p.A. resolved to distribute a total of €80,821 thousand as dividends, of which €80,336 thousand was paid during the year.

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 2021 the Group held 895,350 treasury shares for a total of €14,534 thousand, purchased pursuant to the buyback program approved during the Ordinary Shareholders' Meeting held on 30 April 2019 and subsequently renewed on 22 April 2020 - after revoking the previous authorization granted by shareholders, for the unexecuted part - for a period of up to a maximum of 18 months (namely through 22 October 2021).

## 28. Stock option plans

During the Annual General Meeting held on 14 April 2016 shareholders approved the share-based incentive plan "Stock Options plan 2016-2022".

In order to service the plan, during the AGM shareholders resolved to increase share capital against payment by up to a maximum nominal amount of €3,000,000 by 31 December 2022 through the issue, including on one or more occasions, of a maximum of 2,000,000 ordinary shares at a par value of €1.5 each pari passu with all shares outstanding at the issue date and with dividend rights.

The purpose of the plan is to maintain the loyalty of the beneficiaries by recognizing the contribution that they make to increasing the value of the Group.

The plan has a duration of seven years and will, at any rate, expire on 31 December 2022.

The beneficiaries were identified by the Board of Directors based on the proposal of the Remuneration and Appointments Committee or the Chief Executive Officer of the Parent Company De' Longhi S.p.A., after having consulted with the Board of Statutory Auditors.

The options were granted free of charge: the beneficiaries, therefore, were not expected to pay any sort of consideration upon assignment. Conversely, exercise of the option and the resulting subscription of the shares is 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. 60 calendar days prior to the date on which the Plan and the relative regulations were approved by shareholders during the Annual General Meeting.

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 2019 and 31 December 2022 (more specifically, between either 15 May - 15 July; 1 September - 15 October; 15 November - 15 January), for up to a total maximum amount equal to 50% of the total options assigned each beneficiary;
- between 15 May 2020 and 31 December 2022 (more specifically, between either 15 May - 15 July; 1 September-15 October; 15 November - 15 January) for the remaining 50% of the total options assigned each beneficiary.

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.

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 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 assumptions used to determine the fair value of the options assigned are shown below:

| | 2017 award | 2016 award |
|---|---|---|
| First tranche fair value | 7.6608 | 5.3072 |
| Second tranche fair value | 7.4442 | 5.2488 |
| Expected dividends (Euro) | 0.8 | 0.43 |
| Estimated volatility (%) | 28.09% | 33.23% |
| Historic volatility (%) | 31.12% | 36.07% |
| Market interest rate | Euribor 6M | Euribor 6M |
| Expected life of the options (years) | 2.142/3.158 | 2.51 / 3.53 |
| Exercise price (Euro) | 20.4588 | 20.4588 |

A total of 1,396,092 options have been exercised, of which 347,528 in 2021.

During the Annual General Meeting held on 22 April 2020, shareholders approved the stock-based incentive plan "Stock Options plan 2020-2027".

In order to service the plan, during the AGM shareholders resolved to further increase share capital against payment by up to a maximum nominal amount of €4,500,000 through the issue (if treasury shares are insufficient), including on one or more occasions, of a maximum of 3,000,000 ordinary shares at a par value of €1.5 each pari passu with all shares outstanding at the issue date and with dividend rights

The purpose of the plan is to foster the loyalty of the beneficiaries, incentivizing them to stay with the Group by linking their compensation to the achievement of the company's medium/long-term goals.

The plan has a duration of around eight years and will, at any rate, expire on 31 December 2027.

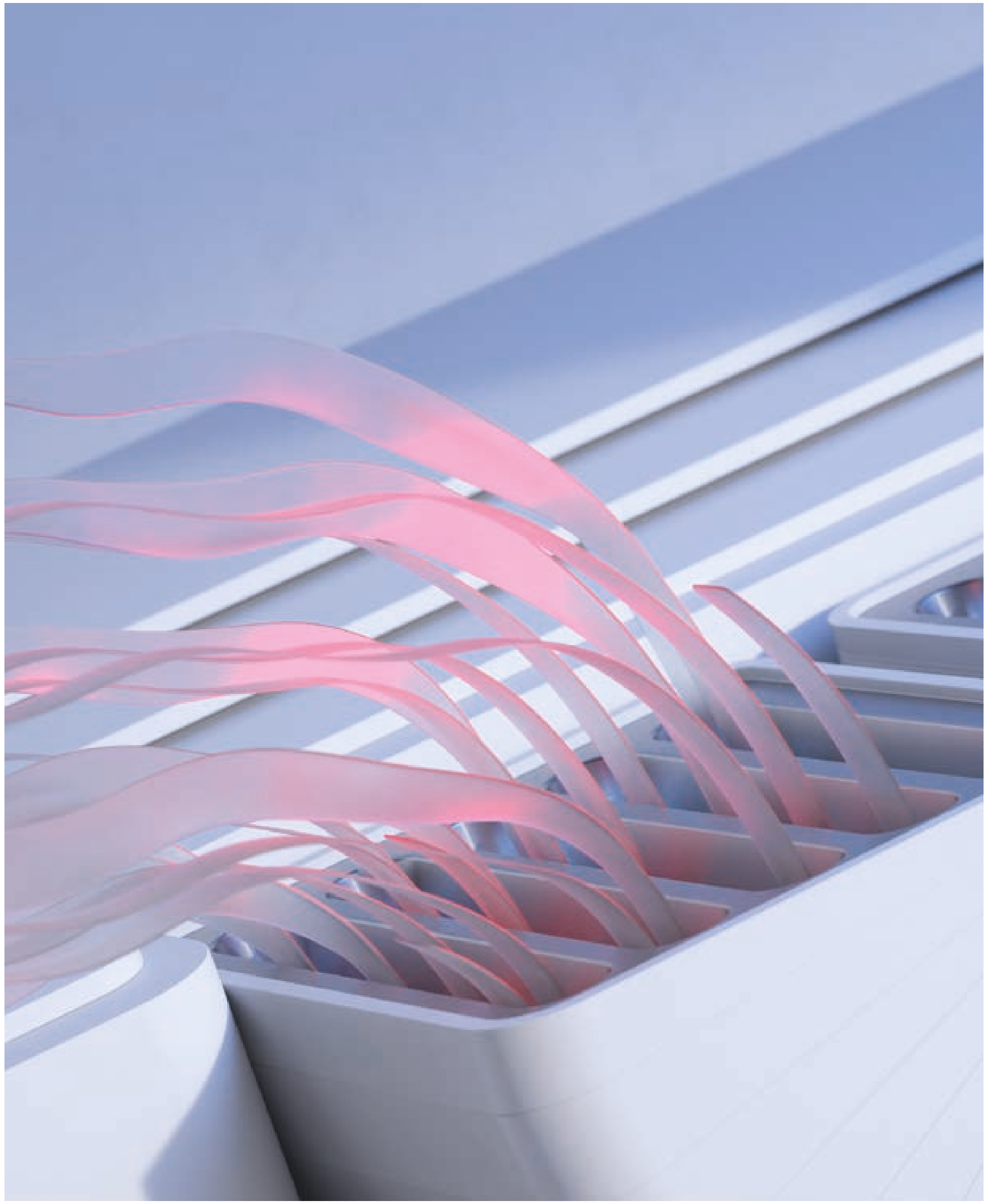
The beneficiaries were identified by the Board of Directors based on the proposal of the Remuneration and Appointments Committee or the Chief Executive Officer of the Parent Company De' Longhi S.p.A., after having consulted with the Board of Statutory Auditors.

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 2020 stock options on 2,360,000 shares had been assigned; the number was unchanged in 2021.

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 |

## 29. Share capital

At 31 December 2020 share capital comprised 150,548,564 ordinary shares with a par value €1.5 each, for a total of €225,823 thousand.

During 2021, 347,528 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 2021 comprises 150,896,092 ordinary shares with a par value of €1.5 for a total of €226,344 thousand.

In the period 1- 15 January 2022 no options relative to the same plan were exercised.

## 30. Reserves

The details are as follows:

| | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Share premium reserve | 34,300 | 25,838 | 8,462 |
| Legal reserve | 45,168 | 44,850 | 318 |
| Other reserves: | | | |
| - Extraordinary reserve | 188,113 | 180,542 | 7,571 |
| - Fair value and cash flow hedge reserve | 3,865 | (3,462) | 7,327 |
| - Stock option reserve | 8,488 | 6,784 | 1,704 |
| - Reserve for treasury shares | (14,534) | (14,534) | - |
| - Currency translation reserve | 45,638 | (15,058) | 60,696 |
| - Profit (loss) carried forward | 720,097 | 616,438 | 103,659 |
| **Total** | **1,031,135** | **841,398** | **189,737** |

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 (now "Euronext Milan") on 23 July 2001 which was subsequently reduced following the demerger transaction in favour of DeLclima S.p.A.. It amounted to €25,838 thousand at 31 December 2020 following the exercise of options assigned under the "Stock Option Plan 2016-2022". In 2021 the reserve was increased by €34,300 thousand following further exercise of stock options under the same plan of €8,462 thousand.

The "Legal Reserve" amounted to €44,850 thousand at 31 December 2020. The increase of €318 thousand is attributable to the allocation of profit for 2020 approved by shareholders during De' Longhi S.p.A.'s AGM held on 21 April 2021.

The "Extraordinary reserve" increased by €7,571 thousand due to the allocation of the profit for the year, as approved by shareholders of De' Longhi S.p.A. during the above mentioned AGM.

The "Fair value and cash flow hedge reserve" reports a positive balance of €3,865 thousand, net of €1,056 thousand in tax.

The change in the "Fair value and cash flow hedge" reserve in 2021, recognized in the statement of comprehensive income for the year, is attributable to the positive fair value of the cash flow hedge and available-for-sale securities of €7,327 thousand net of €2,278 thousand in tax.

The "Stock option reserve" refers to the two share incentive plans already described in note 28. Stock option plans.

At 31 December 2021, the "Stock option" reserve amounted to positive €8,488 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.

With regard to the "2016-2022 Stock Option Plan", the reserve is recognised at a positive value of €2,982 thousand; the change with respect to 31 December 2020 is explained by the exercise of 347,528 options for a total of €1,874 thousand.

The reserve for the "2020-2027 Stock Option PLan" amounts to €5,506 thousand, of which €3,578 thousand recognized in the year.

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 31.12.2021 | Profit for 2021 | Net equity 31.12.2020 | Profit for 2020 |
|---|---|---|---|---|
| **De' Longhi S.p.A. financial statements** | **605,379** | **107,099** | **567,417** | **88,710** |
| Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments | 583,331 | 224,690 | 465,275 | 121,064 |
| Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes | 436,660 | (5,634) | 274,522 | (1,948) |
| Elimination of intercompany profits | (55,097) | (14,406) | (40,128) | (8,227) |
| Other adjustments | 322 | - | 268 | 534 |
| **Consolidated financial statements** | **1,570,595** | **311,749** | **1,267,354** | **200,133** |
| Minority | 2,018 | 651 | - | - |
| **Consolidated financial statements-Group portion** | **1,568,577** | **311,098** | **1,267,354** | **200,133** |

## 31. Minorities' portion of net equity

The minorities' portion of net equity amounts to €2,018 thousand (including the result for the reporting period of €651 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.

| | **31.12.2021** |
|---|---|
| Weighted average number of shares outstanding | 149.797.457 |
| Weighted average number of diluted shares outstanding | 152.909.650 |

The dilutive impact was not significant at 31 December 2021, therefore the difference between the diluted earnings per share (€2.03) and the basic earnings per share (€2.08) 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 31.12.2021 | Payable within one year | Payable in 1-5 years | Balance 31.12.2020 |
|---|---|---|---|---|---|---|
| Overdrafts | 1,069 | - | 1,069 | 1,311 | - | 1,311 |
| Current bank loans and borrowings | 50,006 | - | 50,006 | 45,003 | - | 45,003 |
| Long- term loans (short term portion) | 170,616 | - | 170,616 | 86,553 | - | 86,553 |
| **Bank loans and borrowings (short-term portion)** | **221,691** | **-** | **221,691** | **132,867** | **-** | **132,867** |
| Long- term loans | - | 357,457 | 357,457 | - | 330,012 | 330,012 |
| **Total banks loans and borrowings** | **221,691** | **357,457** | **579,148** | **132,867** | **330,012** | **462,879** |

The consolidation of Capital Brands did not have any effect on the analyzed item.

Despite its sound, solid financial situation, in 2021, as part of its strategy to extend the average maturity of its debt and take advantage of the favorable market conditions, the Group decided to increase and diversify financial resources by signing agreements for three loans on 24 March (€100,000 thousand, duration of 5 years, repayable in quarterly instalments as of June 2022), 14 May (€50,000 thousand, duration of 5 years, repayable in semi-annual instalments as of June 2022) and 19 May (€100,000 thousand, duration of 5 years, repayable in semi-annual instalments), respectively, for a total of €250 million.

In addition, the Group renegotiated the terms of a term loan, reducing the total cost paid and extending its final maturity, and signed a one-year loan of Euro M / Euro 50,000 repayable entirely at maturity.

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 2021.

The main loans are floating rate; as a result of the hedges on a few 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 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:

| | 31.12.2021 | 31.12.2020 (*) |
|---|---|---|
| Private placement (short-term portion) | 21,400 | 21,430 |
| Negative fair value of derivatives | 7,311 | 12,347 |
| Other short term financial payables | 23,149 | 55,795 |
| **Total short-term payables** | **51,860** | **89,572** |
| Private placement (one to five years) | 85,661 | 85,672 |
| Negative fair value of derivatives | - | 611 |
| Other financial payables (one to five years) | 8,880 | 170 |
| **Total long-term payables (one to five years)** | **94,541** | **86,453** |
| Private placement (beyond five years) | 171,794 | 42,877 |
| **Total long-term payables (beyond five years)** | **171,794** | **42,877** |
| **Total other financial payables** | **318,195** | **218,902** |

(*) The comparison figures at 31.12.2020 were restated as described in the section "Restatement of comparison figures".

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.

The securities were issued in a single tranche, mature in 10 years in June 2027 and have 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 securities are unrated and are not intended to be listed on any regulated markets.

The notes are subject to half-yearly financial covenants in line with those contemplated in other existing loan transactions. At 31 December 2021 the covenants (ratio of consolidated net financial position to consolidated net equity, ratio of consolidated net financial position to EBITDA before non-recurring/stock option costs) had not been breached. The issue is not secured by collateral of any kind.

On 7 April 2021 the issue of another €150 million tranche, maturing in 2041, of the USPP was finalized. It was issued and underwritten by a leading US financial group.

The notes were issued in a single tranche, maturing in April 2041, with a duration of 20 years and an average life of 15 years. Interest matures on the private placement as from the subscription date at a fixed annual rate of 1.18%. The loan will be repaid annually on a straight-line basis. The first repayment will fall due in April 2031 and the last in April 2041, without prejudice to the Company's early repayment option.

The bonds issued are not rated and will not be traded on regulated markets.

This loan is subject to half-yearly financial covenants, in line with those contemplated in other existing loan transactions. At 31 December 2021 the covenants (ratio of the net financial position to consolidated net equity, ratio of EBITDA before non-recurring/stock option costs to the net financial position) had not been breached. The issue is not 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 recourse 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.

"Other financial payables (one to five years)" includes the fair value of the put & call options on minority interests in Eversys Group companies and the remaining long-term portion of the pension fund related liabilities of a foreign subsidiary.

## Net financial position

Details of the net financial position are as follows:

| | 31.12.2021 | 31.12.2020 (*) |
|---|---:|---:|
| A. Cash | 1,026,081 | 662,947 |
| B. Cash equivalents | - | - |
| C. Other current financial assets | 291,015 | 232,158 |
| *of which lease prepayments* | *365* | *391* |
| **D. Cash, cash equivalents and other current financial assets (A + B + C)** | **1,317,096** | **895,105** |
| E. Current financial liabilities | (114,582) | (133,980) |
| *of which lease liabilities* | *(19,038)* | *(18,178)* |
| F. Current portion of non-current financial liabilities | (170,616) | (86,553) |
| **G. Current financial liabilities (E + F)** | **(285,198)** | **(220,533)** |
| **H. Current net financial liabilities (D + G)** | **1,031,898** | **674,572** |
| I.1. Other non-current financial assets | 70,223 | 69,986 |
| I. Non-current financial liabilities | (414,685) | (378,005) |
| *of which lease liabilities* | *(57,228)* | *(47,993)* |
| J. Debt instruments | (257,455) | (128,549) |
| K. Trade payables and other non-current liabilities | - | - |
| **L. Non-current net financial liabilities (I + I.1+ J + K)** | **(601,917)** | **(436,568)** |
| **M. Total financial liabilities (H + L)** | **429,981** | **238,004** |
| *Fair value of derivatives and other financial non-bank assets/ liabilities* | *(4,893)* | *(10,016)* |
| **Total net financial position** | **425,088** | **227,988** |

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.

(*) The comparison figures at 31.12.2020 were restated as described in the section "Restatement of comparison figures".

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 18.

## 35. Employee benefits

These are made up as follows:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Provision for severance indemnities | 9,901 | 9,761 |
| Defined benefit plans | 27,103 | 28,125 |
| Other long term benefits | 16,374 | 13,402 |
| **Total** | **53,378** | **51,288** |

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 | 2021 | 2020 | Change |
|---|---|---|---|
| Current service cost | 157 | 164 | (7) |
| Interest cost on defined benefit obligation | 47 | 79 | (32) |
| **Total** | **204** | **243** | **(39)** |

| Change in present value of obligations | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| **Present value at 1 January** | **9,761** | **10,108** | **(347)** |
| Current service cost | 157 | 164 | (7) |
| Utilization of provision | (664) | (436) | (228) |
| Interest cost on obligation | 47 | 79 | (32) |
| Actuarial gains & losses recognized in the comprehensive income statement | 600 | (154) | 754 |
| **Present value at reporting date** | **9,901** | **9,761** | **140** |

### Defined benefit plans:

Movements in the year are as follows:

| Net cost charged to income | 2021 | 2020 | Change |
|---|---:|---:|---:|
| Current service cost | 1,057 | 1,177 | (120) |
| Return on plan assets | (1) | 6 | (7) |
| Interest cost on obligation | 162 | 236 | (74) |
| **Total** | **1,218** | **1,419** | **(201)** |

| Change in present value of obligations | 31.12.2021 | 31.12.2020 | Change |
|---|---:|---:|---:|
| **Present value at 1 January** | **28,125** | **25,004** | **3,121** |
| Net cost charged to income | 1,218 | 1,419 | (201) |
| Benefits paid | (197) | (242) | 45 |
| Translation differences | 6 | (121) | 127 |
| Actuarial gains & losses recognized in the comprehensive income statement | (3,657) | 2,065 | (5,722) |
| Changes in consolidation area | 1,608 | - | 1,608 |
| **Present value at reporting date** | **27,103** | **28,125** | **(1,022)** |

The outstanding liability at 31 December 2021 of €27,103 thousand (€28,125 thousand at 31 December 2020) refers to a few subsidiaries (mainly in Germany and Japan).

The assumptions used for determining the obligations under the plans described are as follows:

| Assumptions used | Severance indemnity 2021 | Severance indemnity 2020 | Other plans 2021 | Other plans 2020 |
|---|---:|---:|---:|---:|
| Discount rate | 0.90% | 0.50% | 0.2% - 1.18% | 0.6% - 0.75% |
| Future salary increases | 1.5% - 2.5% | 0.5% - 1.5% | 0.0% - 3% | 0.0% - 3% |
| Inflation rate | 1.50% | 0.50% | 0.0% - 1.8% | 0.0% - 1.5% |

"Other long-term benefits" includes the amount accrued for the incentive plan 2021-2023 in the reporting period of €11,304 thousand. This plan was approved by the Board of Directors for the Chief Executive Officer of De' Longhi S.p.A. and a limited number of Group executives and key resources.

It also includes the incentive plans for the personnel of the newly acquired companies.

For more information please refer to the Annual Remuneration Report.

## 36. Other provisions for non-current contingencies and charges

These are analyzed as follows:

| | 31.12.2021 | 31.12.2020 (*) |
|---|---:|---:|
| Agents' leaving indemnity provision | 1,909 | 1,577 |
| Product warranty provision | 42,585 | 34,564 |
| Provision for contingencies and other charges | 21,549 | 23,492 |
| **Total** | **66,043** | **59,633** |

Movements are as follows:

| | 31.12.2020 (*) | Utilization | Net accrual | Translation difference and other movements | Changes in consolidation area | 31.12.2021 |
|---|---:|---:|---:|---:|---:|---:|
| Agents' leaving indemnity provision | 1,577 | (125) | 457 | - | - | 1,909 |
| Product warranty provision | 34,564 | (16,336) | 23,381 | 666 | 310 | 42,585 |
| Provision for contingencies and other charges | 23,492 | (3,110) | (4) | 1,171 | - | 21,549 |
| **Total** | **59,633** | **(19,571)** | **23,834** | **1,837** | **310** | **66,043** |

(*) The comparison figures at 31.12.2020 were restated as described in the section "Restatement of comparison figures".

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 2021. It takes account of the provisions of Decree 24/2002 and of European Community law and / or other local regulations, where present.

The "Provision for contingencies and other charges" includes the provision of €15,053 thousand (€14,623 thousand at 31 December 2020) for legal disputes and product complaint liabilities (limited to the Group's insurance deductible), the provision of €6,497 thousand (€8,869 thousand at 31 December 2020) made by a few subsidiaries relating to commercial risks and other charges.

## 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 9 June 2004, for the three-year period 2019 - 2021.

For additional information please refer to Appendix.3.

## 39. Other payables

These are analyzed as follows:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Employees | 69,134 | 50,307 |
| Indirect taxes | 29,562 | 29,692 |
| Social security institutions | 9,965 | 9,761 |
| Withholdings payables | 9,380 | 7,733 |
| Advances | 7,517 | 4,143 |
| Other taxes | 1,636 | 946 |
| Other | 12,883 | 11,629 |
| **Total** | **140,077** | **114,211** |

There were no material amounts due beyond 12 months at 31 December 2021.

## 40. Commitments

These are detailed as follows:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Guarantees given to third parties | 806 | 1,670 |
| Other commitments | 3,590 | 4,229 |
| **Total** | **4,396** | **5,899** |

"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 €14 million, in favor of the affiliate NPE S.r.l. commensurated with the commitments of each of the parties.

## 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 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*).

(**) The lease prepayments subject to the application of IFRS 16 Leases (*IFRS 9 - 2.1 b*) are excluded.

(***) 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 2020 | Total Value | Assets | | |
|---|---|---|---|---|
| | | Amortized cost | Fair value in Profit&Loss | Fair value in OCI |
| **Non-current assets (*)** | | | | |
| Equity investments | 51 | - | 51 | - |
| Receivables | 4,480 | 4,480 | - | - |
| Other non-current financial assets | 69,986 | 69,986 | - | - |
| **Current assets (**)** | | | | |
| Trade receivables | 397,337 | 397,337 | - | - |
| Current tax assets | 6,541 | 6,541 | - | - |
| Other receivables | 30,118 | 30,118 | - | - |
| Current financial receivables and assets | 242,613 | 192,001 | 44,463 | 6,150 |
| Cash and cash equivalents | 662,947 | 662,947 | - | - |

| at 31 December 2020 | Total Value | Liabilities | | |
|---|---|---|---|---|
| | | Amortized cost | Fair value in Profit&Loss | Fair value in OCI |
| **Non-current liabilities (***)** | | | | |
| Bank loans and borrowings (long-term portion) | 330,012 | 330,012 | - | - |
| Other financial payables (long-term portion) | 129,330 | 128,719 | - | 611 |
| **Current liabilities (****)** | | | | |
| Trade payables | 582,193 | 582,193 | - | - |
| Bank loans and borrowings (short-term portion) | 132,867 | 132,867 | - | - |
| Other financial payables (short-term portion) | 81,919 | 69,572 | 3,755 | 8,593 |
| Current tax liabilities | 66,498 | 66,498 | - | - |
| Other payables | 114,211 | 114,211 | - | - |

(*) Interests in subsidiaries, associates and joint ventures are not included (*IFRS 9 - 2.1 a*).

(**) The lease prepayments subject to the application of IFRS 16 Leases (*IFRS 9 - 2.1 b*) are excluded.

(***) 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 2021. 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 | - | 11,378 | - |
| Derivatives with negative fair value | - | (7,311) | - |
| Other financial assets | 51 | 90,528 | - |

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 €381,933 thousand at 31 December 2021 and € 407,898 thousand at 31 December 2020.

This amount corresponds to the gross balance of trade receivables of €448,864 thousand at 31 December 2021 (€461,960 thousand at 31 December 2020), 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 €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.

Trade receivables of €461,960 thousand at 31 December 2020 comprise €429,700 thousand in current balances and €32,260 thousand in past due amounts, of which €31,873 thousand past due within 90 days and €387 thousand past due by more than 90 days.

The amount of insured or guaranteed receivables at 31 December 2021 is €317,994 thousand.

The Group has recognized €10,561 thousand in allowances for doubtful accounts against unguaranteed receivables of €143,966 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 2021 and 31 December 2020 on the basis of contractual payments which have not been discounted.

| | Undiscounted cash flows at 31.12.2021 | Payable within one year | Payable in 1-5 years | Payable in more than five years | Undiscounted cash flows at 31.12.2020 (*) | Payable within one year | Payable in 1-5 years | Payable in more than five years |
|---|---|---|---|---|---|---|---|---|
| Bank loans and borrowings (**) | 580,461 | 222,244 | 358,217 | - | 466,523 | 134,092 | 332,431 | - |
| Other financial payables (***) | 340,734 | 55,196 | 97,117 | 188,420 | 219,934 | 84,218 | 92,153 | 43,563 |
| Trade payables | 936,229 | 936,229 | - | - | 582,193 | 582,193 | - | - |
| Current tax payables and other payables | 260,977 | 260,718 | 259 | - | 180,709 | 180,465 | 244 | - |

(*) The comparison figures at 31.12.2020 were restated as described in the section "Restatement of comparison figures".

(**) The corresponding balance reported in the financial statements was €579,148 thousand at 31 December 2021 vs. €462,879 thousand at 31 December 2020 and refers to medium/long and short term bank debt.

(***) The corresponding balance in the accounts is €309,395 thousand at 31 December 2021 and €211,251 thousand at 31 December 2020 and refers to long-term payables comprehensive of the 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 Russian Ruble, 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 2021:

a. with regard to the risk connected to future flows (revenues/costs forecast in the budget and/or multi-year plans), at 31 December 2021 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 +/ - €1.2 million before tax (+/- €2.8 million before tax at 31 December 2020). 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 +/- €2.2 million before tax (+/- €1.1 million before tax at 31 December 2020).

The hedging transactions at 31 December 2021 are described in the paragraph "Interest rate and currency exchange hedges at 31 December 2021".

## 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 two bilateral loans taken out between 2019 and 2021 are fixed rate, while the remainder of the Group's financial debt at 31 December 2021 is floating rate.

The purpose of interest rate risk management is to assess the mismatch between financial assets and liaiblities and verify that there are no relevant gaps such that could impact the cost of funding if the yield curve were to steepen.

At 31 December 2021 there were three Interest Rate Swaps (IRS) hedging interest rate risk in loans taken out by the Parent Company.

### 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 €636.9 million on a total of €425.2 million in net debt at 31 December 2021 and total net assets of €279.2 million on a total of €232.0 million in net debt in 2020).

It is estimated that a +/- 1% change in interest rates would have an impact of +/- €6.4 million before tax at 31 December 2021 recognized entirely in the income statement (+/- €2.8 million before tax at 31 December 2020).

**Interest rate and currency exchange hedges at 31 December 2021**

At 31 December 2021 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 2021 is provided below:

| | Fair Value at 31/12/2021 |
|---|---|
| FX forward agreements | (1,866) |
| **Derivatives hedging foreign currency receivables/payables** | **(1,866)** |
| FX forward agreements | 5,885 |
| IRS hedging Parent Company's loans | 55 |
| **Derivatives covering expected cash flows** | **5,940** |
| **Total fair value of the derivatives** | **4,074** |

**Forward agreements to hedge against a change in 2021 trade flows:**

A list of the forward agreements hedging a change in 2021 trade flows at 31 December 2021:

| Currency | Notional amount (in thousands of risk currency) | | | Fair value (in €/000) | |
|---|---|---|---|---|---|
| | Purchases | Sales | Total | Current assets | Current Liabilities |
| EUR/CHF* | - | 16,900 | 16,900 | - | (741) |
| EUR*/RON | - | 78,000 | 78,000 | 180 | (106) |
| EUR/USD* | (93,448) | - | (93,448) | 2,257 | (39) |
| EUR/CZK* | - | 140,000 | 140,000 | - | (126) |
| EUR/GBP* | - | 400 | 400 | - | (23) |
| GBP/USD* | (8,500) | - | (8,500) | 174 | - |
| USD/CAD* | - | 22,000 | 22,000 | 393 | - |
| HKD/CNY* | (655,000) | - | (655,000) | 3,116 | - |
| AUD*/HKD | - | 48,000 | 48,000 | 741 | (5) |
| HKD/JPY* | - | 150,000 | 150,000 | 64 | - |
| | | | | **6,925** | **(1,040)** |

* Risk currency.

A positive cash flow hedge reserve of €3,772 thousand has been recorded in net equity at 31 December 2021 in relation to these hedges, after €1,026 thousand in related tax (at 31 December 2020 this same reserve was a negative €2,537 thousand, after the related tax of €930 thousand).

During 2021 the Group reversed to the income statement a net amount of €2,357 thousand from the negative cash flow hedge reserve at 31 December 2020.

This amount was reported in the following lines of the income statement:

| | 2021 | 2020 |
|---|---|---|
| Increase (reduction) in revenues | (2,003) | (725) |
| (Increase) reduction in materials consumed | (1,464) | (82) |
| Net financial income (expenses) | - | (9) |
| Taxes | 930 | 207 |
| **Total recognized in income statement** | **(2,537)** | **(609)** |

**Hedges against foreign currency receivables and payables:**

| Currency | Notional amount (in thousands of risk currency) | | | Fair value (in €/000) | |
|---|---|---|---|---|---|
| | Purchases | Sales | Total | Current assets | Current Liabilities |
| AUD*/HKD | - | 72,300 | 72,300 | - | (568) |
| AUD/NZD* | - | 6,730 | 6,730 | 26 | (16) |
| EUR/AUD* | (200) | 1,600 | 1,400 | 2 | (16) |
| EUR/CHF* | (7,000) | 49,651 | 42,651 | 66 | (1,981) |
| EUR/CZK* | - | 1,304,800 | 1,304,800 | - | (688) |
| EUR/GBP* | (4,387) | 5,337 | 950 | 111 | (15) |
| EUR*/GBP | (12,290) | 11,975 | (315) | 246 | (193) |
| EUR/HKD* | (13,990) | - | (13,990) | 9 | (4) |
| EUR*/HKD | (41,451) | 265,950 | 224,499 | 9 | (28) |
| EUR/HUF* | (252,852) | 1,992,852 | 1,740,000 | 48 | (22) |
| EUR/JPY* | - | 23,000 | 23,000 | 1 | - |
| EUR/PLN* | (6,400) | 159,400 | 153,000 | 2 | (336) |
| EUR/RON* | - | 600 | 600 | - | - |
| EUR*/RON | (38,000) | 15,200 | (22,800) | 13 | (118) |
| EUR/RUB* | - | 5,475,700 | 5,475,700 | 1,144 | - |
| EUR/SEK* | (11,800) | 42,200 | 30,400 | 8 | (5) |
| EUR/USD* | (110,850) | 5,000 | (105,850) | 7 | (1,219) |
| EUR*/USD | (280,000) | 281,700 | 1,700 | 1,137 | - |
| GBP/USD* | (20,280) | 19,400 | (880) | 254 | (355) |
| HKD/CLP* | - | 4,364,000 | 4,364,000 | 39 | - |
| HKD/CNH* | (895,800) | 14,000 | (881,800) | 209 | (14) |
| HKD/JPY* | - | 5,039,000 | 5,039,000 | 535 | - |
| HKD/KRW* | (2,475,000) | 9,768,000 | 7,293,000 | 83 | (5) |
| HKD/MXN* | - | 52,700 | 52,700 | - | (66) |
| USD/MXN* | - | 137,500 | 137,500 | - | (171) |
| SGD*/HKD | (7,000) | 250 | (6,750) | 52 | (2) |
| USD/CAD* | (4,250) | 35,250 | 31,000 | 89 | (60) |
| USD*/RON | (26,450) | 8,000 | (18,450) | - | (107) |
| USD/ZAR* | (18,100) | 83,650 | 65,550 | 47 | (14) |
| | | | | **4,137** | **(6,003)** |

* 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 2021 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 €55 thousand which is recognized under financial receivables (€316 thousand) and under other financial payables (€261 thousand).

As the hedge on future interest flows qualifies as an effective hedge, at 31 December 2021 a positive cash flow hedge reserve of €123 thousand was reported in net equity, net of the related tax effect of €30 thousand.

Details are as follows (the figures are shown before tax):

| | 31/12/2021 | |
|---|---|---|
| | **Notional amount (in €/000)** | **Fair value (in €/000)** |
| Interest Rate Swap (IRS) connected to the loan Intesa Sanpaolo S.p.A | 78,000 | 174 |
| Interest Rate Swap (IRS) connected to the loan Intesa Sanpaolo S.p.A | 9,500 | (30) |
| Interest Rate Swap (IRS) connected to the loan Unicredit S.p.A. | 75,000 | (89) |
| **Total fair value of the derivatives** | | **55** |
| *of which:* | | |
| *positive medium/long-term fair value* | | *316* |
| *negative short-term fair value* | | *(261)* |

## 44. Tax position

No positions of note were opened at the date of this report.

The position of De' Longhi Appliances S.r.l., already described in the 2020 Annual Report, was presented to the tax dispute resolution services provided under Italian law which did not have a significant impact on the year.

## 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, Americas/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

| | 2021 | | | | |
|---|---|---|---|---|---|
| | **Europe** | **Americas/ APA** | **MEIA** | **Intersegment eliminations (**)** | **Total** |
| **Total revenues (*)** | **2,350,469** | **1,738,602** | **149,078** | **(1,016,562)** | **3,221,587** |
| **EBITDA** | **311,656** | **157,321** | **10,442** | **1,190** | **480,609** |
| Amortization | (64,113) | (29,268) | (298) | - | (93,679) |
| **EBIT** | **247,543** | **128,053** | **10,144** | **1,190** | **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.

(**) 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) |

## Income Statement data

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Europe | Americas/ APA | MEIA | Intersegment eliminations (**) | Total |
| **Total revenues (*)** | **1,847,472** | **1,167,225** | **102,788** | **(766,228)** | **2,351,257** |
| **EBITDA** | **232,834** | **101,397** | **8,227** | **541** | **342,999** |
| Amortization | (60,381) | (20,237) | (375) | - | (80,993) |
| **EBIT** | **172,453** | **81,160** | **7,852** | **541** | **262,006** |
| Net financial income (expenses) | | | | | (5,692) |
| **Profit (loss) before taxes** | | | | | **256,314** |
| Taxes | | | | | (56,181) |
| **Profit (loss) for the year** | | | | | **200,133** |

(*) 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.

## Dati patrimoniali

| | 31 December 2020 (*) | | | | |
|---|---|---|---|---|---|
| | Europe | Americas/ APA | MEIA | Intersegment eliminations | Total |
| **Total assets** | 2,086,853 | 1,311,473 | 49,005 | (501,762) | 2,945,569 |
| **Total liabilities** | (1,352,737) | (817,148) | (10,090) | 501,760 | (1,678,215) |

(*) The comparison figures at 31.12.2020 were restated as described in the section "Restatement of comparison figures".

## 47. Subsequent events

Subsequent to 31 December 2021 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*.

With regard to the international scenario, in the first few months of 2022 the European geopolitical situation gradually took a turn for the worse. The rapid escalation of the tensions between Russia and Ukraine has given rise to concerns, first of all, about the safety of everyone, all the employees and their families and, secondly, the economic situation in these markets.

Based on 2021 figures, approximately 5% of the Group's total consolidated revenue was generated in Russia and Ukraine.

The Group has taken the steps necessary to ensure the safety of the personnel at the Ukraine branch, facilitating the relocation of employees to other Group branches, guaranteeing payment of salaries and adequate financial and medical assistance for all employees and their families.

The worsening of the situation in the last few weeks has blocked the commercial branch's activities and puts the recoverability of company assets, receivables with local retailers (including in light of the lack of insurance) and inventory at risk.

With regard to the Group's main assets in Russia - trade receivables and inventory - no critical areas have emerged. Most of the trade receivables are covered by insurance policies stipulated with a premiere international insurance company and to date the exposure is very limited thanks to the payments received already. The delivery of products already in the local warehouse continued and more stringent receivables management measures were adopted.

To date new deliveries to Russia, as well as all the investments and projects in the pipeline, have been blocked.

The Group is carrying out a series of assessments in order to estimate the possible perspective economic and financial impact of a scenario that today is entirely uncertain for both the commercial and global markets.

During a meeting held today, the Board of Directors approved a donation of €1 million in favour of NGO partners, in support of the populations affected by the conflict in Ukraine.

Lastly, with regard to the production, in February 2022 a new plant was acquired in Romania which will be added to the two existing facilities. Such investment is part of the production capacity expansion plans intended to support the organic growth of the Group.

Other than the above, no other significant events occurred after the close of the year.

*Treviso 10 March 2022*

*De' Longhi S.p.A.*
*The Chief Executive Officer*

Massimo Garavaglia

# Group annual report and financial statements

Appendices

# A

# 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 31/12/2021 | |
|---|---|---|---|---|---|
| | | | | 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 S.A.R.L. | 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 21,200,200 | | 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 31/12/2021 | |
|---|---|---|---|---|---|
| | | | | 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% |
| 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% |
| KENWOOD SWISS 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% |
| TWIST LLC | Mosca | RUB | 10,000 | | 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 |
| BACK IN FIVE, LLC | Los Angeles | USD |
| BULLET EXPRESS, LLC | Los Angeles | USD |
| YOUTHOLOGY RESEARCH INSTITUTE, LLC | Los Angeles | USD |
| BABY BULLET, LLC | Los Angeles | USD |
| NUTRIBULLET, LLC | Los Angeles | USD |
| NUTRILIVING, LLC | Los Angeles | USD |
| DESSERT BULLET, LLC | Los Angeles | USD |
| VEGGIE BULLET, LLC | Los Angeles | USD |
| NUTRIBULLET LEAN, LLC | Los Angeles | USD |
| NUTRIBLAST, LLC | Los Angeles | USD |

The companies comprising the Eversys Group, the remaining 60% 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 HOLDING S.A. | Sierre | CHF |
| EVERSYS S.A. | Sierre | CHF |
| EVERSYS INC | Toronto | USD |
| EVERSYS INC DELAWARE | Wilmington | USD |
| EVERSYS UK LIMITED | Wallington | GBP |
| EVERSYS IRELAND LIMITED | Dublin | EUR |
| DELISYS AG | Münsingen | CHF |

## Investments valued in accordance with the equity method

| Company name | Registered office | Currency | Share capital (1) | Interest held at 31/12/2021 | |
|---|---|---|---|---|---|
| | | | | 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 2021, 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) The company was ceased during 2021.

# Statement of consolidated cash flows in terms of net financial position

(Appendix 2 to the Explanatory notes)

| (€/000) | 2021 | 2020 (*) |
|---|---|---|
| Profit (loss) pertaining to the Group | 311,098 | 200,133 |
| Income taxes for the period | 88,502 | 56,181 |
| Amortization | 93,679 | 80,992 |
| Net change in provisions and other non-cash items | 3,576 | 15,603 |
| **Cash flow generated by current operations (A)** | **496,855** | **352,909** |
| **Change in assets and liabilities for the period:** | | |
| Trade receivables | 47,954 | 45,087 |
| Inventories | (312,921) | (67,370) |
| Trade payables | 320,996 | 184,877 |
| Other changes in net working capital | 13,911 | (6,785) |
| Payment of income taxes | (64,187) | (41,290) |
| **Cash flow generated (absorbed) by movements in working capital (B)** | **5,753** | **114,519** |
| **Cash flow generated by current operations and movements in working capital (A+B)** | **502,608** | **467,428** |
| **Investment activities:** | | |
| Investments in intangible assets | (16,723) | (14,652) |
| Other cash flows for intangible assets | 978 | 793 |
| Investments in property, plant and equipment | (88,373) | (66,609) |
| Other cash flows for property, plant and equipment | 964 | 15 |
| Investments in leased assets | (30,018) | (10,347) |
| Other cash flows for leased assets | 891 | 1,548 |
| Net investments in financial assets and in minority interest | (54) | (264) |
| **Cash flow absorbed by ordinary investment activities (C)** | **(132,335)** | **(89,516)** |
| **Cash flow by operating activities (A+B+C)** | **370,273** | **377,912** |
| **Acquisitions (D)** | **(129,438)** | **(333,308)** |
| Fair value and cash flow reserves | 9,605 | (4,032) |
| Change in currency translation reserve | 19,710 | (16,505) |
| Purchase of treasury shares | - | (14,534) |
| Exercise of stock option | 7,110 | 21,452 |
| Dividends paid | (80,821) | (80,812) |
| Increase of minority interest | 651 | - |
| **Cash flows absorbed by changes net equity (E)** | **(43,745)** | **(94,431)** |
| **Cash flow for the period (A+B+C+D+E)** | **197,100** | **(49,827)** |
| **Opening net financial position** | **227,988** | **277,815** |
| Cash flow for the period (A+B+C+D+E) | 197,100 | (49,827) |
| **Consolidated closing net financial position** | **425,088** | **227,988** |

(*) The comparison figures at 31.12.2020 were restated as described in the section "Restatement of comparison figures".

# Transactions and balances with related parties

## (Appendix 3 to the Explanatory notes)

| (€/000) | 2021 | of which with | 2020 | of which |
|---|---|---|---|---|
| Revenue from contracts with customers | 3,196,253 | 2,125 | 2,332,567 | 2,310 |
| Other revenues | 25,334 | 2,314 | 18,690 | 2,444 |
| **Total consolidated revenues** | **3,221,587** | | **2,351,257** | |
| Raw and ancillary materials, consumables and goods | (1,630,172) | (51,996) | (1,078,397) | (35,514) |
| Change in inventories of finished products and work in progress | 254,836 | | 41,191 | |
| Change in inventories of raw and ancillary materials, consumables and goods | 46,710 | | 26,180 | |
| **Materials consumed** | **(1,328,626)** | | **(1,011,026)** | |
| Payroll costs | (385,972) | | (301,042) | |
| Services and other operating expenses | (997,413) | (1,145) | (674,140) | (941) |
| Provisions | (28,967) | | (22,050) | |
| Amortization | (93,679) | | (80,993) | |
| **EBIT** | **386,930** | | **262,006** | |
| Net financial income (expenses) | 13,321 | (244) | (5,692) | (178) |
| **Profit (loss) before taxes** | **400,251** | | **256,314** | |
| Taxes | (88,502) | | (56,181) | |
| **Consolidated profit (loss)** | **311,749** | | **200,133** | |
| Profit (loss) pertaining to minority | 651 | | - | |
| **Consolidated profit (loss) after taxes** | **311,098** | | **200,133** | |

| ASSETS (€/000) | 31.12.2021 | of which with related parties | 31.12.2020 (*) | of which with related parties |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | 867,877 | | 686,781 | |
| *- Goodwill* | *358,405* | | *257,544* | |
| *- Other intangible assets* | *509,472* | | *429,237* | |
| Property, plant and equipment | 388,478 | | 322,764 | |
| *- Land, property, plant and machinery* | *178,946* | | *138,517* | |
| *- Other tangible assets* | *135,813* | | *120,645* | |
| *- Right of use assets* | *73,719* | | *63,602* | |
| Equity investments and other financial assets | 82,475 | | 104,539 | |
| *- Equity investments* | *7,331* | | *30,073* | |
| *- Receivables* | *4,605* | | *4,480* | |
| *- Other non-current financial assets* | *70,539* | | *69,986* | |
| Deferred tax assets | 74,297 | | 58,455 | |
| **Total non-current assets** | **1,413,127** | | **1,172,539** | |
| **Current assets** | | | | |
| Inventories | 769,253 | | 432,105 | |
| Trade receivables | 366,668 | 2,738 | 397,337 | 2,458 |
| Current tax assets | 9,492 | | 6,541 | |
| Other receivables | 43,148 | 376 | 30,118 | 281 |
| Current financial receivables and assets | 302,077 | | 243,005 | 15,814 |
| Cash and cash equivalents | 1,026,081 | | 662,947 | |
| **Total current assets** | **2,516,719** | | **1,772,053** | |
| Non-current assets held for sale | 1,055 | | 977 | |
| **Total assets** | **3,930,901** | | **2,945,569** | |

(*) The comparison figures at 31.12.2020 were restated as described in the section "Restatement of comparison figures".

| Net equity and liabilities (€/000) | 31.12.2021 | of which with related parties | 31.12.2020 (*) | of which with related parties |
|---|---|---|---|---|
| **Net equity** | | | | |
| Group portion of net equity | 1,568,577 | | 1,267,354 | |
| *- Share Capital* | *226,344* | | *225,823* | |
| *- Reserves* | *1,031,135* | | *841,398* | |
| *- Profit (loss) pertaining to the Group* | *311,098* | | *200,133* | |
| Minority interest | 2,018 | | | |
| **Total net equity** | **1,570,595** | | **1,267,354** | |
| **Non-current liabilities** | | | | |
| Financial payables | 681,020 | | 507,335 | |
| *- Banks loans and borrowings (long-term portion)* | *357,457* | | *330,012* | |
| *- Other financial payables (long-term portion)* | *266,335* | | *129,330* | |
| *- Lease liabilities (long-term portion)* | *57,228* | *20,535* | *47,993* | *23,938* |
| Deferred tax liabilities | 70,070 | | 56,440 | |
| Non-current provisions for contingencies and other charges | 119,421 | | 110,921 | |
| *- Employee benefits* | *53,378* | | *51,288* | |
| *- Other provisions* | *66,043* | | *59,633* | |
| **Total non-current liabilities** | **870,511** | | **674,696** | |
| **Current liabilities** | | | | |
| Trade payables | 936,229 | 19,304 | 582,193 | 8,408 |
| Financial payables | 292,589 | | 240,617 | |
| *- Banks loans and borrowings (short-term portion)* | *221,691* | | *132,867* | |
| *- Other financial payables (short-term portion)* | *51,860* | | *89,572* | |
| *- Lease liabilities (short-term portion)* | *19,038* | *3,636* | *18,178* | *3,555* |
| Current tax liabilities | 120,900 | 60,894 | 66,498 | 24,850 |
| Other payables | 140,077 | | 114,211 | |
| **Total current liabilities** | **1,489,795** | | **1,003,519** | |
| **Total net equity and liabilities** | **3,930,901** | | **2,945,569** | |

(*) The comparison figures at 31.12.2020 were restated as described in the section "Restatement of comparison figures".

# 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 2021 and related balances with mainly commercial nature at 31 December 2021:

| (€/million) | Revenues | Costs | Financial Income (Expense) | Trade and other receivables | Trade and other payables | Financial payables - IFRS 16 |
|---|---|---|---|---|---|---|
| Related companies: | | | | | | |
| DL Radiators S.r.l. | 2.7 | - | - | 1.7 | - | - |
| TCL-De’Longhi Home Appliances (Zhongshan) Co.Ltd. | - | 24.8 | - | - | 1.0 | - |
| NPE S.r.l. | 1.0 | 27.7 | - | 0.9 | 18.3 | - |
| H&T EAST EUROPE SRL | 0.1 | - | - | 0.1 | - | - |
| Gamma S.r.l. | 0.5 | 0.6 | (0.2) | 0.2 | - | 24.2 |
| Eversys S.A. | 0.1 | - | - | - | - | - |
| De Longhi Industrial S.A. | - | - | - | - | 60.9 | - |
| Other related parties | - | - | - | 0.2 | - | - |
| **Total related parties** | **4.4** | **53.1** | **(0.2)** | **3.1** | **80.2** | **24.2** |

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 9.6.2004), as part of a tax group formed by De Longhi Industrial S.A.; the agreement entered into covers the three-year period 2019-2021 and may be renewed. The €60.9 million included in tax payables is comprised of the taxes payable by the members of the tax group through De Longhi Industrial S.A..

The financial receivables with Eversys Holding S.A. refer to the interest-bearing shareholders’ loan granted as per the agreements signed.

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 2021 |
|---|---|---|---|
| Auditing | PwC S.p.A. | De' Longhi S.p.A. (parent company) | 257 |
| | PwC S.p.A. | Italian subsidiaries | 246 |
| | Network of parent company auditor | Foreign subsidiaries | 1,180 |
| | Other auditors | Foreign subsidiaries | 64 |
| 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 | 47 |
| | Network of parent company auditor | Foreign subsidiaries | 311 |

# 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 Massimo Garavaglia, 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 2021:

- 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 2021:

- 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.

Massimo Garavaglia
*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 2021, the income statement, the statement of comprehensive income, the statement of changes in net equity, the statement of cash flows for the year then ended and the 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 2021, 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 judgment, 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.

| *Key Audit Matters* | *Auditing procedures performed in response to key audit matters* |
|---|---|
| **Recoverability of the value of indefinite-lived intangible assets**<br><br>*Notes 11 and 12 to the consolidated financial statements and paragraph titled "Change in the scope of consolidation – Business combinations"*<br><br>The consolidated financial statements of De'Longhi SpA include indefinite-lived intangible assets, which are not amortised but tested for impairment at least annually.<br>Indefinite-lived intangible assets comprise goodwill for Euro 358.4 million and trademarks for Euro 327.7 million.<br>The latter include 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 117.1 million, and the 'Eversys' trademark for Euro 35.1 million.<br><br>The above values are also the result of the completion of the allocation of fair values to the assets acquired and liabilities assumed in connection with the business combinations involving the Capital Brands Group and the Eversys Group, in which certain intangible assets were identified and measured, and consequently final values were determined for goodwill (the "Purchase Price Allocation").<br><br>For the purpose of verifying the recoverability of indefinite-lived intangible assets, the Group's net assets were allocated to the following cash-generating units ("CGUs"): De'Longhi, Kenwood, Braun, Capital Brands and Eversys.<br><br>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 | As part of our audit of the consolidated financial statements as of 31 December 2021, we performed the procedures illustrated below.<br><br>With reference to the initial recognition of indefinite-lived intangible assets arising from the Purchase Price Allocation we obtained the exercises prepared by management in which, with the help of an independent expert, the fair values were identified.<br><br>Our audit approach was based on analysing the method used by the directors to prepare the Purchase Price Allocation. In detail:<br><br>• We analysed the reasonableness of the directors' considerations about the identification of the above-mentioned assets and their measurment;<br><br>• We analysed the royalty flows used in the valuation models prepared on the basis of the business plans available at the date of the acquisitions, specifically verifying the reasonableness of the assumptions used.<br><br>With reference to the impairment tests, we obtained the exercises prepared by management to determine the recoverable amounts of the CGUs identified and trademarks. The assumptions and criteria used in those tests were approved by the board of directors on 10 March 2022.<br><br>Our audit approach was based on analysing the method used by the directors to prepare the tests. In detail: |

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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 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 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 2021, 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.

- 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, estimated on the basis of the three-year business plan and budget approved by the board of directors; in detail, we verified the reasonableness of the assumptions used in light of the past results of individual CGUs and individual trademarks;

With the support of business valuation experts from the PwC network, we verified, for both the initial recognition of indefinite-lived intangible assets arising from the Purchase Price Allocation and the impairment tests, that the valuation methods used were consistent with 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

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| | |
|---|---|
| | December 2021 that were used for comparison with values in use.<br><br>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.

***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 independence, and where applicable, related safeguards.

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 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.

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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) 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, 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 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.

### *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 2021, 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 2021 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 2021 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.

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***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, 28 March 2022

PricewaterhouseCoopers SpA

*Signed by*

Filippo Zagagnin
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*

# Group annual report and financial statements

Indipendent auditors' report on consolidated Non-Financial Statement

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DE' LONGHI SPA

# 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 OF JANUARY 2018

YEAR ENDED 31 DECEMBER 2021

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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 2021 prepared in accordance with article 4 of the Decree, and approved by the board of directors on 10 March 2022 (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 2020, 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.

*PricewaterhouseCoopers SpA*

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## *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:
    a. business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
    b. policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;

c. 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 the Romanian company De' Longhi Romania Srl and the British company Kenwood Ltd, 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 office 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 the UK perimeter (consisting of Kenwood Ltd), 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 as of 31 December 2021 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards.

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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, 28 March 2021

PricewaterhouseCoopers SpA

*Signed by*

| | |
|---|---|
| Filippo Zagagnin<br>(Partner) | Paolo Bersani<br>(Authorised signatory) |

*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 2021 translation*

# Report on operations on separate financial statements

# Review of the income statement

| (€/million) | 2021 | % revenues | 2020 | % revenues |
|---|---|---|---|---|
| **Revenues** | **14.5** | **100.0%** | **8.8** | **100.0%** |
| *Changes 2021/2020* | *5.7* | *64.4%* | | |
| Materials consumed | (0.1) | (0.3%) | (0.1) | (0.5%) |
| Other services and expenses | (21.0) | (144.1%) | (16.0) | (180.9%) |
| Payroll | (16.0) | (110.0%) | (11.9) | (134.6%) |
| **EBITDA before non-recurring expenses / stock option** | **(22.5)** | **(154.4%)** | **(19.1)** | **(216.1%)** |
| *Changes 2021/2020* | *(3.3)* | *17.5%* | | |
| Non-recurring expenses / stock option | (3.7) | (25.2%) | (2.8) | (31.3%) |
| **EBITDA** | **(26.1)** | **(179.7%)** | **(21.9)** | **(247.3%)** |
| Amortization | (0.6) | (3.9%) | (0.8) | (8.8%) |
| **EBIT** | **(26.7)** | **(183.5%)** | **(22.7)** | **(256.1%)** |
| *Changes 2021/2020* | *(4.0)* | *17.8%* | | |
| Dividends | 133.3 | 916.5% | 110.9 | 1.254.1% |
| Net financial income (expenses) | (5.3) | (36.2%) | (4.2) | (47.9%) |
| **Profit (loss) before taxes** | **101.4** | **696.8%** | **84.1** | **950.1%** |
| Income taxes | 5.7 | 39.4% | 4.7 | 52.6% |
| **Profit (loss) after taxes** | **107.1** | **736.2%** | **88.7** | **1,002.7%** |

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 2021 dividends amounted to €133.3 million (€110.9 million in 2020) while net financial expenses came to €5.3 million (€4.2 million in 2020).

Net profit came to €107.1 million (€88.7 million in 2020).

# Review of the statement of financial position

The reclassified statement of financial position is presented below:

| (€/million) | 31.12.2021 | 31.12.2020 | Change | % change |
|---|---|---|---|---|
| - Tangible and intangible assets | 1.3 | 1.5 | (0.2) | (13.2%) |
| - Financial assets | 567.5 | 567.5 | - | - |
| **Non-current assets** | **568.8** | **569.0** | **(0.2)** | **(0.1%)** |
| - Trade receivables | 1.3 | 3.4 | (2.1) | (62.8%) |
| - Trade payables | (5.9) | (4.3) | (1.5) | 35.0% |
| - Other current payables (net of other receivables) | 0.3 | (1.2) | 1.4 | (121.8%) |
| **Net working capital** | **(4.3)** | **(2.1)** | **(2.2)** | **105.6%** |
| **Total non-current liabilities and provisions** | **(7.1)** | **(7.1)** | **-** | **0.2%** |
| **Net capital employed** | **557.4** | **559.8** | **(2.4)** | **(0.4%)** |
| **(Positive net financial position)** | **(48.0)** | **(7.6)** | **(40.4)** | **533.5%** |
| **Total net equity** | **605.4** | **567.4** | **38.0** | **6.7%** |
| **Total net debt and equity** | **557.4** | **559.8** | **(2.4)** | **(0.4%)** |

The positive net financial position amounted to €48.0 million at 31 December 2021 (€7.6 million at 31 December 2020), broken down as follows:

| (€/million) | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Cash and cash equivalents | 20.5 | - | 20.5 |
| Other financial receivables | 885.9 | 577.6 | 308.3 |
| Current financial debt | (243.2) | (110.0) | (133.2) |
| **Positive current net financial position** | **663.2** | **467.6** | **195.6** |
| **Non-current net financial debt** | **(615.2)** | **(460.0)** | **(155.2)** |
| **Total positive net financial position** | **48.0** | **7.6** | **40.4** |
| *of which:* | | | |
| *- net position with banks and other lenders* | *48.9* | *10.8* | *38.1* |
| *- lease payables* | *(1.0)* | *(1.2)* | *(0.2)* |
| *- other net assets/(liabilities) (fair value of derivatives, financial payables linked to the purchase of equity investments)* | *0.1* | *(2.0)* | *(1.9)* |

Net debt includes a few specific financial items, including the fair value measurement of derivatives which shows a net positive balance of €0.1 million at 31 December 2021 (negative for €2.0 million at 31 December 2020).

The net financial position at 31 December 2021 also inlcudes the impact of IFRS 16 adoption with resulted in the recognition of €1.0 million in "Lease payables" (€1.2 million at 31 December 2020).

Net of these items, the net financial position with banks was €48.9 million at 31 December 2021, with cash flow reaching a positive €38.1 million in the twelve-month period.

Despite its sound, solid financial situation, in 2021, as part of its strategy to extend the average maturity of its debt and take advantage of the favorable market conditions, the Company decided to increase and diversify financial resources by signing agreements for three loans totalling €250 million.

In April 2021 another €150 million tranche of the USPP, maturing in 2041, was issued and underwritten by a leading US financial group.

The statement of cash flows, reclassified on the basis of net financial position, is summarized as follows:

| (€/million) | 2021 | 2020 |
|---|---|---|
| Cash flow by current operations | (28.3) | (20.3) |
| Cash flow by other changes in working capital | 8.1 | 0.7 |
| Cash flow by investment activities | 133.0 | 110.7 |
| **Cash flow by operating activities** | **112.8** | **91.1** |
| Dividends paid | (80.8) | (80.8) |
| Cash flow by changes in cash flow hedge reserves | 1.3 | (1.4) |
| Cash flow by treasury shares purchase | - | (14.5) |
| Stock options exercise | 7.1 | 21.4 |
| **Cash flow by changes in net equity** | **(72.4)** | **(75.3)** |
| **Cash flow for the period** | **40.4** | **15.8** |
| Opening positive net financial position (net financial debt) | 7.6 | (8.2) |
| **Closing positive net financial position** | **48.0** | **7.6** |

Net operating cash flow amounted to €112.8 million (€91.1 million in 2020), an increase of €21.7 million compared to the prior year. This change is explained primarily by an increase in the dividends received from subsidiaries.

Cash flow to net equity reached a negative €72.4 million (negative €75.3 million in 2020), explained primarily by dividend payments of €80.8 million, the exercise of stock options for €7.1 million and the change in the cash flow hedge reserve relating to the fair value of derivatives of €1.3 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 31.12.2021 | Profit for 2021 | Net equity 31.12.2020 | Profit for 2020 |
|---|---|---|---|---|
| **De' Longhi S.p.A. financial statements** | **605,379** | **107,099** | **567,417** | **88,710** |
| Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments | 583,331 | 224,690 | 465,275 | 121,064 |
| Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes | 436,660 | (5,634) | 274,522 | (1,948) |
| Elimination of intercompany profits | (55,097) | (14,406) | (40,128) | (8,227) |
| Other adjustments | 322 | - | 268 | 534 |
| **Consolidated financial statements** | **1,570,595** | **311,749** | **1,267,354** | **200,133** |
| Minority | 2,018 | 651 | - | - |
| **Consolidated financial statements-Group portion** | **1,568,577** | **311,098** | **1,267,354** | **200,133** |

# 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 58 employees at 31 December 2021 (52 at 31 December 2020).

The following table summarizes the average number of employees during 2021 compared with 2020:

| | 2021 | % | 2020 | % | Change |
|---|---|---|---|---|---|
| White collars | 36 | 65% | 33 | 65% | 3 |
| Managers | 19 | 35% | 18 | 35% | 1 |
| **Total** | **55** | **100%** | **51** | **100%** | **4** |

# 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 2022*).

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 Parent Company De' Longhi S.p.A. (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 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 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 accounting policies manual, 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 the Corporate Governance Code for Listed Companies), the Issuer undertook a project for the development and monitoring of a structured ERM model in order to effectively manage the main risks to which the Issuer and the Company are exposed.

During 2021, activities for implementing this Enterprise Risk Management (ERM) project continued. ERM is aimed at streghtening the risk control and management system by mapping the main risks to which the Company is exposed on the basis of the Group value chain, identifying the inherent and of the related residual risk and assessing and implementing action plans for their elimination/mitigation. Furthermore, the Internal Audit Director and the Officer Responsible for Preparing the Company's Financial Reportes continued the work for specifically and analytically governing the ERM risk management system, through some additional activities.

In 2021 this activity continued by updating existing risks, the main strategic risks identified by the Chief Executive Officer, the analysis of the perimeter of the Group's strategically important foreign branches, as well as mapping the risks perceived by the Managers of audited branches.

Preparation for the roll out of the new ERM platform also continued. This platform will provide more structured and efficient ERM management in the coming years.

## 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 global health crisis, the economic scenario and the difficulties in anticipating economic cycles, energy prices (oil, above all), the prices and scarcity of raw materials (plastic and copper), the ongoing political crises and conflicts (particularly the situation in Ukraine/Russia which has worsened considerably in the last few days), the decided increase in transportation costs, the political and economic changes in the United States and Great Britain (Brexit) could, together with the other factors referred to in this section, have a significant impact on the Company's results and financial position.

The Company periodically monitors these economic trends in order to quickly take 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 production, the supply chain and/or the sale of products, as well as all the back office activities).

The Company cannot predict these phenomena but, leveraging on past experience, it is able to react and implement all the measures needed to limit the consequences (as was the case in 2020/2021 when, because of the global health crisis, the Company 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 - 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.

The health crisis proved critical for human resources and determined the course of 2020/2021.

In the face of a health crisis (similar to what happened with the Covid-19 pandemic described above) the Company defines and implements an important series of actions aimed at ensuring the maximum security and safety of its employees, while, at the same time, guaranteeing 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.

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.

**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).

The Company has short-term bank credit lines (typically renewed on an annual basis), which are used to finance working capital and other operating needs.

About the interest rate risk, at 31 December 2021 the Company's net financial position is positive and financial debt is medium-long term, in order to take advantage of the favourable market conditions characterized by very low interest rates.

This risk is managed centrally by the same team that manages currency risks. Nevertheless, sudden fluctuations in interest rates could have an adverse impact on the Company's business prospects, as well as on its economic performance and/or financial position.

At the date of this report, the Company has three hedging contracts to protect two medium/long term loans from the interest rates fluctuation risk.

**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 2021, 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 controls over its financial reporting, the Group has implemented a system of administrative and accounting procedures and operations that include:

- an accounting policies manual;
- accounting policy instructions and updates;
- other procedures for preparing the consolidated financial statements and 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 audit within their own authority.

Possible deficiencies in maintaining adequate processes and administrative-accounting and management checks may result in errors in Company's corporate reporting.

**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.

N

## Number and value of shares

At 31 December 2020 share capital comprised 150,548,564 ordinary shares with a par value €1.5 each, for a total of €225,823 thousand.

In 2021, 347,528 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 2021, therefore, comprised 150,896,092 ordinary shares with a par value of €1.5 for a total of €226,344 thousand.

In the period 1-15 January 2021 no other stock options assigned under the same plan were exercised.

T

## Treasury shares

At 31 December 2021 the Company held 895,350 treasury shares for a total of €14,534 thousand, purchased pursuant to the buyback program approved during the Ordinary Shareholders' Meeting held on 30 April 2019 and subsequently renewed on 22 April 2020 - after revoking the previous authorization granted by shareholders, for the unexecuted part - for a period of up to a maximum of 18 months (namely through 22 October 2021).

# 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 9 June 2014, for the three-year period 2019-2021.

# 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 2021 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.

With regard to the international scenario, in the first few months of 2022 the European geopolitical situation gradually took a turn for the worse. The rapid escalation of the tensions between Russia and Ukraine has given rise to concerns, first of all, about the safety of everyone, all the employees and their families and, secondly, the economic situation in these markets.

The Company is carrying out a series of assessments in order to estimate the possible economic and financial impact of a scenario that today is entirely uncertain.

Other than the above, no other significant events occurred after the close of the year.

# P

# 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 20 April 2022 *("Annual Report at 31 December 2021: presentation of the financial statements at 31 December 2021, together with the Directors' Report on Operations, the Board of Statutory Auditors' Report, the External Auditors' Report and the Certification of the Financial Reporting Officer. Related and consequent resolutions")*.**

Dear Shareholders,

in submitting the De' Longhi S.p.A.'s Annual Report at 31 December 2021 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 2021 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 2021 of De' Longhi S.p.A.".*

**2) Proposed resolution relating to item 1.2 of the Agenda for the Annual General Meeting convened on 20 April 2022 *("Annual Report at 31 December 2021: 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 2021, which amounted to €107,098,783, 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 2021 and the Directors' Report on Operations*

resolve

1. *to allocate €101,259 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 €0.83 for each of the shares outstanding with dividend rights at the record date, as per art. 83-terdecies of Legislative Decree 58/98, using the net profit for 2021 after the allocation referred to in item 1 above has been made and the extraordinary reserve;*
3. *to establish that the payment of the dividend, on each share entitled to receive a dividend, will take place on 25 May 2022, with shares going ex-div on 23 May 2022, 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 24 May 2022".*

*Treviso, 10 March 2022*

*On behalf of the Board of Directors*
*The Chief Executive Officer*

Massimo Garavaglia

# 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* | 2021 | *of which non-recurring* | 2020 | *of which non-recurring* |
|---|---|---|---|---|---|
| Revenues | *1* | 14,547,102 | | 8,846,877 | |
| **Total revenues** | | **14,547,102** | | **8,846,877** | |
| Raw and ancillary materials, consumables and goods | *2* | (50,630) | | (52,143) | *(7,600)* |
| **Materials consumed** | | **(50,630)** | | **(52,143)** | |
| Payroll costs | *3* | (19,656,283) | *(83,079)* | (14,482,499) | *(71,588)* |
| Services and other operating expenses | *4* | (20,974,778) | *(9,013)* | (16,194,925) | *(187,246)* |
| Amortization | *5* | (560,969) | | (776,980) | |
| **EBIT** | | **(26,695,558)** | | **(22,659,670)** | |
| Net financial income (expenses) | *6* | 128,062,180 | | 106,713,731 | |
| **Profit (loss) before taxes** | | **101,366,622** | | **84,054,061** | |
| Income taxes | *7* | 5,732,161 | | 4,656,327 | |
| **Net profit (loss)** | | **107,098,783** | | **88,710,388** | |

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) | 2021 | 2020 |
|---|---|---|
| **Net profit (loss)** | **107,098,783** | **88,710,388** |
| **Other components of the comprehensive income:** | | |
| - Change in fair value of cash flow hedges and financial assets available for sale | 1,340,138 | (1,379,568) |
| - Tax effect on change in fair value of cash flow hedges and financial assets available for sale | (321,633) | 331,096 |
| **Total other comprehensive income will subsequently reclassified to profit (loss) for the year** | **1,018,505** | **(1,048,472)** |
| - Actuarial valuation funds | (27,775) | 1,856 |
| - Tax effect of actuarial valuation funds | 6,666 | (445) |
| **Total other comprehensive income will not subsequently reclassified to profit (loss) for the year** | **(21,109)** | **1,411** |
| **Other components of comprehensive income** | **997,396** | **(1,047,061)** |
| **Total comprehensive income** | **108,096,179** | **87,663,327** |

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.

| **ASSETS (Amounts in Euro)** | ***Notes*** | **31.12.2021** | **31.12.2020** |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | | 102,154 | 209,500 |
| *- Other intangible assets* | *8* | *102,154* | *209,500* |
| Tangible assets | | 1,195,522 | 1,284,781 |
| *- Other tangible assets* | *9* | *161,975* | *59,579* |
| *- Right of use assets* | *10* | *1,033,547* | *1,225,202* |
| Equity investments and other financial assets | | 567,944,179 | 567,635,133 |
| *- Equity investments* | *11* | *567,516,127* | *567,516,127* |
| *- Receivables* | *12* | *112,325* | *119,006* |
| *- Other non-current financial assets* | *13* | *315,727* | *-* |
| **Total non-current assets** | | **569,241,855** | **569,129,414** |
| **Current assets** | | | |
| Trade receivables | *14* | 1,271,103 | 3,418,293 |
| Current tax assets | *15* | 796,240 | - |
| Other receivables | *16* | 16,102,280 | 11,587,406 |
| Current financial receivables and assets | *17* | 885,925,998 | 577,570,404 |
| Cash and cash equivalents | *18* | 20,466,996 | 43,511 |
| **Total current assets** | | **924,562,617** | **592,619,614** |
| **Total assets** | | **1,493,804,472** | **1,161,749,028** |

# Statement of financial position



| NET EQUITY AND LIABILITIES (Amounts in Euro) | *Notes* | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| **Net equity** | | | |
| Net equity | | 605,379,485 | 567,416,687 |
| *- Share capital* | *21* | *226,344,138* | *225,822,846* |
| *- Reserves* | *22* | *271,936,564* | *252,883,453* |
| *- Net profit (loss)* | | *107,098,783* | *88,710,388* |
| **Total net equity** | | **605,379,485** | **567,416,687** |
| **Non-current liabilities** | | | |
| Financial payables | | 615,673,373 | 460,126,144 |
| *- Bank loans and borrowings (long-term portion)* | *23* | *357,456,781* | *330,012,179* |
| *- Other financial payables (long-term portion)* | *24* | *257,455,550* | *129,160,366* |
| *- Lease liabilities (long-term portion)* | *10* | *761,042* | *953,599* |
| Deferred tax liabilities | *25* | 1,196,014 | 713,187 |
| Non-current provisions for contingencies and other charges | | 5,878,911 | 6,348,036 |
| *- Employee benefits* | *26* | *5,878,911* | *6,348,036* |
| **Total non-current liabilities** | | **622,748,298** | **467,187,367** |
| **Current liabilities** | | | |
| Trade payables | *27* | 5,864,825 | 4,344,718 |
| Financial payables | | 243,171,419 | 110,030,772 |
| *- Bank loans and borrowings (short-term portion)* | *23* | *220,608,775* | *86,554,815* |
| *- Other financial payables (short-term portion)* | *24* | *22,285,217* | *23,198,691* |
| *- Lease liabilities (short-term portion)* | *10* | *277,427* | *277,266* |
| Current tax liabilities | *28* | - | 122,019 |
| Other payables | *29* | 16,640,445 | 12,647,465 |
| **Total current liabilities** | | **265,676,689** | **127,144,974** |
| **Total net equity and liabilities** | | **1,493,804,472** | **1,161,749,028** |

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 | 2021 | 2020 |
|---|---|---|---|
| Net profit (loss) | | 107,098,783 | 88,710,388 |
| Income taxes for the period | | (5,732,161) | (4,656,327) |
| Income for dividends receipt | | (133,327,104) | (110,949,329) |
| Amortization | | 560,969 | 776,980 |
| Net change in provisions and other non-cash items | | 3,064,873 | 5,839,720 |
| **Cash flow absorbed by current operations (A)** | | **(28,334,640)** | **(20,278,568)** |
| **Change in assets and liabilities for the period:** | | | |
| Trade receivables | | 2,147,191 | (428,924) |
| Trade payables | | 1,520,107 | (2,009,087) |
| Other changes in net working capital | | 5,377,629 | 3,410,174 |
| Payment of income taxes | | (917,747) | (319,921) |
| **Cash flow generated by changes in working capital (B)** | | **8,127,180** | **652,242** |
| **Cash flow absorbed by current operations and changes in working capital (A+B)** | | **(20,207,460)** | **(19,626,326)** |
| **Investment activities:** | | | |
| Investments in intangible assets | | (124,429) | (10,155) |
| Investments in tangible assets | | (136,086) | (64,926) |
| Investments in leased assets | | (103,850) | (202,216) |
| Other cash flow from tangible assets | | 16,393 | - |
| Dividends receipt | | 139,727,104 | 104,549,329 |
| **Cash flow generated by investment activities (C)** | | **139,379,132** | **104,272,032** |
| **Cash flow by operating activities (A+B+C)** | | **119,171,672** | **84,645,706** |
| Purchase of treasury shares | | - | (14,533,855) |
| Exercise of stock option | | 7,110,006 | 21,452,361,00 |
| Dividends paid | | (80,671,312) | (80,476,578) |
| New loans | | 450,000,000 | 200,000,000 |
| Payment of interests on loans | | (3,797,558) | (3,749,587) |
| Repayment of loans and other net changes in source of finance | | (471,389,323) | (207,388,145) |
| **Cash flow absorbed by changes in net equity and by financing activities (D)** | | **(98,748,187)** | **(84,695,804)** |
| **Cash flow for the period (A+B+C+D)** | | **20,423,485** | **(50,098)** |
| **Opening cash and cash equivalents** | *18* | **43,511** | **93,609** |
| Increase (decrease) in cash and cash equivalents (A+B+C+D) | | 20,423,485 | (50,098) |
| **Closing cash and cash equivalents** | *18* | **20,466,996** | **43,511** |

Appendix 2 reports the statement of cash flows in terms of net financial position.

# Statement of changes in net equity

| (Amounts in Euro) | Share capital | Share premium reserve | Legal reserve | Extaordinary 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 2019** | **224,250,000** | **162,545** | **42,573,131** | **144,537,886** | **-** | **123,477** | **10,078,239** | **(114,721)** | **10,441,324** | **119,094,082** | **551,145,963** |
| Allocation of 2019 result as per AGM resolution of 22 April 2020 and AGM resolution of 15 December 2020 | | | | | | | | | | | |
| - distribution of dividends | | | | (80,812,736) | | | | | | | (80,812,736) |
| - allocation to reserves | | | 2,276,869 | 116,817,213 | | | | | | (119,094,082) | - |
| Fair value stock option | | | | | | | 2,501,627 | | | | 2,501,627 |
| Exercise of stock otion | 1,572,846 | 25,674,980 | | | | | (5,795,465) | | | | 21,452,361 |
| Treasury shares purchase | | | | | (14,533,855) | | | | | | (14,533,855) |
| **Movements from transactions with shareholders** | **1,572,846** | **25,674,980** | **2,276,869** | **36,004,477** | **(14,533,855)** | **-** | **(3,293,838)** | **-** | **-** | **(119,094,082)** | **(71,392,603)** |
| Profit (loss) after taxes | | | | | | | | | | 88,710,388 | 88,710,388 |
| Other components of comprehensive income | | | | | | (1,048,472) | | 1,411 | | | (1,047,061) |
| **Comprehensive income (loss)** | **-** | **-** | **-** | **-** | **-** | **(1,048,472)** | **-** | **1,411** | **-** | **88,710,388** | **87,663,327** |
| **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** |
| | | | | | | | | | | | |
| **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** |

# 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 2021 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 2021), 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 2021 are the same as those used for preparing the financial statements at 31 December 2020; the new amendments and accounting standards, described below, had no significant impacts on the present financial statements.

The financial statements at 31 December 2021 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 on the historical cost basis, adjusted as required for the valuation of certain financial instruments, and under the assumption of going concern. Even though the unpredictability of the epidemic's potential impact is the source of considerable uncertainty, the Company, in light of its financial stability, the actions taken to limit risks and its business model, as well as the good results obtained in 2021, believes that there are no elements which could compromise the business as a going concern as per paragraph 25 of IAS 1. Furthermore, at the date of this Report there are no elements, connected to the health crisis, to report that had a direct and significant impact on the figures in the financial statements.

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 *33. Risk management* of the present Explanatory notes.

## International accounting standards adopted by the Company for the first time

A few amendments were applicable for the first time as of 1 January 2021 which did not have a material impact on the Group's report.

The Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2, endorsed on 13 January 2021 relate to the effect that the interest rate benchmark reform and its substitution with alternative benchmark rates could have on financial reporting.

The Amendments to IFRS 4 - Insurance contracts - deferral of IFRS 9, endorsed on 15 December 2020, which allow insurance companies to defer application of IFRS 9, are not relevant for the Company.

With Regulation 1424/2021 of 30 August 2021 the European Commission endorsed the document issued by IASB, Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16) which extends the period of application of the amendment to IFRS 16 issued in 2020. The amendment introduced a practical expedient which simplifies the accounting of any concessions on leases, like the temporary discounts or exemptions from payments, received by tenants during the pandemic. The amendment took effect as of 1 April 2021 and did not have any impact on the Company's financial statements.

## International financial reporting standards and/or not yet applicable

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.

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). The new standard will be applicable as from 1 January 2023.

In February 2021 IFRS: Definition of Accounting Estimates - Amendments to IAS 8 and Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2, applicable as of 1 January 2023, were issued. The purpose of these amendments is to improve the disclosure of accounting policies in order to provide investors and other primary users of the financial statements with more useful information, as well as help companies distinguish between the changes in accounting estimates from changes in the accounting policy.

On 7 May 2021 IASB published Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 which specifies how deferred tax in relation to leases and decommissioning obligations should be accounted for. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

The date for first time application of the Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture has yet to be determined. The purpose of the amendments is to clarify how to account for the loss of control of a business (governed by IFRS 10), as well as downstream transactions (governed by IAS 28) if the object of the transaction was or was not a business, as defined in IFRS 3.

## 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:

| | 2021 | 2020 | Change |
|---|---|---|---|
| Gain on fixed assets disposal | 16 | - | 16 |
| Damages reimbursed | 9 | 30 | (21) |
| Out-of-period gains | 9 | 23 | (14) |
| Other income | 14,513 | 8,794 | 5,719 |
| **Total** | **14,547** | **8,847** | **5,700** |

"Other income" includes €14,443 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:

| | 2021 | 2020 | Change |
|---|---|---|---|
| Other purchases | 51 | 52 | (1) |
| **Total** | **51** | **52** | **(1)** |

## 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 €3,578 thousand in the reporting period (€2,502 thousand at 31 December 2020); please refer to nota *22. Reserves* for more information.

In 2021 this item also includes non-recurring costs of €83 thousand relative to the special bonus paid to employees.

## 4. Services and other operating expenses

These are analyzed as follows:

| | 2021 | 2020 | Change |
|---|---|---|---|
| Consulting services | 6,050 | 3,919 | 2,131 |
| Directors' emoluments | 5,004 | 4,290 | 714 |
| Global marketing costs | 2,920 | 2,643 | 277 |
| Insurance | 2,784 | 2,524 | 260 |
| Travel and entertaining | 267 | 158 | 109 |
| Statutory auditors' emoluments | 144 | 146 | (2) |
| Rentals and leasing | 117 | 117 | - |
| Telecommunication costs | 32 | 31 | 1 |
| Advertising and promotional activities | 6 | 7 | (1) |
| Other sundry services | 3,331 | 1,970 | 1,361 |
| **Total services** | **20,655** | **15,805** | **4,850** |
| Sundry taxes | 134 | 225 | (91) |
| Other | 186 | 165 | 21 |
| **Total other operating expenses** | **320** | **390** | **(70)** |
| **Total services and other operating expenses** | **20,975** | **16,195** | **4,780** |

"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 (global marketing costs) that are subsequently charged back to the subsidiaries.

"Costs for the use of third-party assets" includes the operating costs for contracts that are not or do not contain leases (€102 thousand; €97 thousand at 31 December 2020), as well as the costs for leases of less than twelve months (€15 thousand; €20 thousand at 31 December 2020); for more information, please refer to note *10. Leases*.

"Services and other operating expenses" include €2,034 thousand in costs from related parties, as reported in Appendix 4 and €9 thousand in non-recurring costs related to reorganization of the Group's structure (€187 thousand at 31 December 2020).

## 5. Amortization

These are analyzed as follows:

| | 2021 | 2020 | Change |
|---|---|---|---|
| Amortization of intangible assets | 232 | 497 | (265) |
| Depreciation of property, plant and equipment | 34 | 9 | 25 |
| Depreciation of right of use assets | 295 | 271 | 24 |
| **Total** | **561** | **777** | **(216)** |

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:

| | 2021 | 2020 | Change |
|---|---|---|---|
| Dividends | 133,327 | 110,949 | 22,378 |
| **Financial income (expenses) from equity investments** | **133,327** | **110,949** | **22,378** |
| Gains (losses) on currency hedging transactions | 10 | (73) | 83 |
| Exchange gains (losses) | (48) | 74 | (122) |
| **Exchange gains (losses)** | **(38)** | **1** | **(39)** |
| Interest income from loans | 808 | 514 | 294 |
| Bank interest income | 3 | 3 | - |
| **Financial income** | **811** | **517** | **294** |
| Interest expenses on long-term loans and borrowings | (1,774) | (1,562) | (212) |
| Interest expenses on bonds | (3,628) | (2,527) | (1,101) |
| Interest expenses on short-term loans and borrowings | (1) | (1) | - |
| **Financial expenses** | **(5,403)** | **(4,090)** | **(1,313)** |
| Interest for leasing | (13) | (15) | 2 |
| Other sundry income (expenses) | (622) | (648) | 26 |
| **Other financial income (expenses)** | **(635)** | **(663)** | **28** |
| **Financial income (expenses)** | **128,062** | **106,714** | **21,348** |

"Financial income (expenses)" includes €134,089 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 Benelux S.A., De' Longhi Kenwood Gmbh, E-Services S.r.l. e De' Longhi Capital Services S.r.l..

For more information on leases, please see note *10. Leases*.

## 7. Income taxes

These are analyzed as follows:

| | 2021 | 2020 | Change |
|---|---|---|---|
| Current tax assets | 5,902 | 4,077 | 1,825 |
| Advanced (deferred) taxes | (170) | 579 | (749) |
| **Total** | **5,732** | **4,656** | **1,076** |

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 2019-2021.

"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.

More information on deferred taxes can be found in note *25. Deferred tax liabilities*.

The actual and theoretical tax charge are reconciled as follows:

| | 2021 | % | 2020 | % |
|---|---|---|---|---|
| Profit before taxes | 101,367 | 100.0% | 84,054 | 100.0% |
| Theoretical taxes | (24,328) | (24.0%) | (20,173) | (24.0%) |
| Permanent tax differences (dividends, net of disallowable costs) and other effects | 30,060 | 29.7% | 24,829 | 29.5% |
| **Actual taxes** | **5,732** | **5.7%** | **4,656** | **5.5%** |

# C Comments on the statement of financial position: assets

## Non-current assets

### 8. Intangible assets

These are analyzed as follows:

| | 31.12.2021 | | 31.12.2020 | | |
|---|---|---|---|---|---|
| | Gross | Net | Gross | Net | Change |
| Patents | 2,244 | 102 | 2,119 | 210 | (108) |
| **Total** | **2,244** | **102** | **2,119** | **210** | **(108)** |

The following table reports movements during 2021:

| | Patents |
|---|---|
| **Net opening balance** | **210** |
| Additions | 124 |
| Amortization | (232) |
| **Net closing balance** | **102** |

The increases refer to the purchase of software during the year.

### 9. Other tangible assets

These are analyzed as follows:

| | 31.12.2021 | | 31.12.2020 | | |
|---|---|---|---|---|---|
| | Gross | Net | Gross | Net | Change |
| Industrial and commercial equipment | 19 | - | 19 | - | - |
| Other | 246 | 162 | 220 | 60 | 102 |
| **Total** | **265** | **162** | **239** | **60** | **102** |

The following table reports movements during 2021:

| | Other |
|---|---|
| **Net opening balance** | **60** |
| Additions | 136 |
| Depreciation | (34) |
| **Net closing balance** | **162** |

### 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 2021 are detailed below:

| | Land and buildings | Other | Total |
|---|---|---|---|
| **Net opening balance** | **1,061** | **164** | **1,225** |
| Additions | 34 | 70 | 104 |
| Depreciation | (206) | (89) | (295) |
| **Net closing balance** | **889** | **145** | **1,034** |

In 2021, subsequent to the application of the new IFRS 16 Leases, €295 thousand of depreciation were recognized in the income statement and €13 thousand of interest payable and while € 310 thousand of costs represented by the lease payments made were eliminated.

Financial liabilities for leases amounting to €1,038 thousand (of which €761 thousand expiring beyond 12 months) were recognized at 31 December 2021.

The financial liabilities for leases include amounts owed associates of €810 thousand (of which €634 thousand expiring beyond 12 months) as shown in Appendix 4.

The maturities of the undiscounted lease liabilities are shown below:

| | Undiscounted flows at 31.12.2021 | Payable in one year | Payable in 1-5 years | Payable in more than five years |
|---|---|---|---|---|
| Lease payables | 1,062 | 288 | 774 | - |

## 11. Equity investments

These are analyzed as follows:

| | 31.12.2021 | 31.12.2020 | 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 and the related movements during 2021 can be found in Appendix 3.

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:

| | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Receivables from subsidiary companies | 109 | 116 | (7) |
| Security deposits | 3 | 3 | - |
| **Total** | **112** | **119** | **(7)** |

Appendix 4 contains details of "Receivables from subsidiary companies".

## 13. Other non-current financial assets

Details are as follows:

| | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Fair value of derivatives | 316 | - | 316 |
| **Total** | **316** | **-** | **316** |

More details on the fair value of derivatives can be found in *note 33. Risk management*.

# Current assets

## 14. Trade receivables

These are analyzed as follows:

| | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Trade receivables due within 12 months | 1,271 | 3,418 | (2,147) |
| Allowance for bad debts | - | - | - |
| **Total** | **1,271** | **3,418** | **(2,147)** |

"Trade receivables" include €1,269 thousand in receivables from related parties, as reported in Appendix 4.

There were no changes in the allowance for doubtful accounts in the year.

Trade receivables do not include any amounts due beyond 12 months.

## 15. Current tax assets

These are detailed as follows:

| | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Direct taxes | 796 | - | 796 |
| **Total** | **796** | **-** | **796** |

In 2021 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:

| | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| VAT receivables | 4,751 | 6,119 | (1,368) |
| Advances to suppliers | 184 | 151 | 33 |
| Prepaid costs | 93 | 37 | 56 |
| Employees | 12 | 2 | 10 |
| Tax refunds requested | - | 2 | (2) |
| Other | 11,062 | 5,276 | 5,786 |
| **Total** | **16,102** | **11,587** | **4,515** |

In 2021 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 €10,518 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:

| | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Financial receivables | 885,926 | 577,570 | 308,356 |
| **Total** | **885,926** | **577,570** | **308,356** |

"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 €885,918 thousand, as reported in Appendix 4.

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.

# C 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.

During De' Longhi S.p.A.'s Annual General Meeting held on 21 April 2021 shareholders resolved to distribute a total of €80,822 thousand as dividends, of which €80,336 thousand was paid during the year.

Changes in net equity are reported as part of the financial statements; comments on the main components and their changes are provided below.

## 19. Treasury shares

At 31 December 2021 the Company held 895,350 treasury shares for a total of €14,534 thousand, purchased pursuant to the buyback program approved during the Ordinary Shareholders' Meeting held on 30 April 2019 and subsequently renewed on 22 April 2020 - after revoking the previous authorization granted by shareholders, for the unexecuted part - for a period of up to a maximum of 18 months (namely through 22 October 2021).

## 20. Stock option plans

During the Annual General Meeting held on 14 April 2016 shareholders approved the share-based incentive plan "Stock Option Plan 2016-2022".

In order to service the plan, during the AGM shareholders resolved to increase share capital against payment by up to a maximum nominal amount of €3,000,000 by 31 December 2022 through the issue, including on one or more occasions, of a maximum of 2,000,000 ordinary shares at a par value of €1.5 each pari passu with all shares outstanding at the issue date and with dividend rights.

The purpose of the plan is to maintain the loyalty of the beneficiaries by recognizing the contribution that they make to increasing the value of the Group.

The plan has a duration of seven years and will, at any rate, expire on 31 December 2022.

The beneficiaries were identified by the Board of Directors based on the proposal of the Remuneration and Appointments Committee or the Chief Executive Officer of the Parent Company De' Longhi S.p.A., after having consulted with the Board of Statutory Auditors.

The options were granted free of charge: the beneficiaries, therefore, were not expected to pay any sort of consideration upon assignment. Conversely, exercise of the option and the resulting subscription of the shares is 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. 60 calendar days prior to the date on which the Plan and the relative regulations were approved by shareholders during the Annual General Meeting.

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 2019 and 31 December 2022 (more specifically, between either 15 May - 15 July; 1 September - 15 October; 15 November - 15 January), for up to a total maximum amount equal to 50% of the total options assigned each beneficiary;
- between 15 May 2020 and 31 December 2022 (more specifically, between either 15 May - 15 July; 1 September - 15 October; 15 November - 15 January) for the remaining 50% of the total options assigned each beneficiary.

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.

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 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 assumptions used to determine the fair value of the options assigned are shown below:

| | 2017 award | 2016 award |
|---|---|---|
| First tranche fair value | 7.6608 | 5.3072 |
| Second tranche fair value | 7.4442 | 5.2488 |
| Expected dividends (Euro) | 0.8 | 0.43 |
| Estimated volatility (%) | 28.09% | 33.23% |
| Historic volatility (%) | 31.12% | 36.07% |
| Market interest rate | Euribor 6M | Euribor 6M |
| Expected life of the options (years) | 2.142/3.158 | 2.51 / 3.53 |
| Exercise price (Euro) | 20.4588 | 20.4588 |

A total of 1,396,092 options have been exercised, of which 347,528 in 2021.

During the Annual General Meeting held on 22 April 2020, shareholders approved the stock-based incentive plan "Stock Option Plan 2020-2027".

In order to service the plan, during the AGM shareholders resolved to further increase share capital against payment by up to a maximum nominal amount of €4,500,000 through the issue (if treasury shares are insufficient), including on one or more occasions, of a maximum of 3,000,000 ordinary shares at a par value of €1.5 each pari passu with all shares outstanding at the issue date and with dividend rights.

The purpose of the plan is to foster the loyalty of the beneficiaries, incentivizing them to stay with the Group by linking their compensation to the achievement of the company's medium/long-term goals.

The plan has a duration of around eight years and will, at any rate, expire on 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 of the Parent Company De' Longhi S.p.A., 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 2020 stock options on 2,360,000 shares had been assigned; the number was unchanged in 2021.

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 |

## 21. Share capital

At 31 December 2020 share capital comprised 150,548,564 ordinary shares with a par value €1.5 each, for a total of €225,823 thousand.

In 2021, 347,528 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 2021, therefore, comprised 150,896,092 ordinary shares with a par value of €1.5 for a total of €226,344 thousand.

In the period 1-15 January 2021 no other stock options assigned under the same plan were exercised.

## 22. Reserves

These are analyzed as follows:

| | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Share premium reserve | 34,300 | 25,838 | 8,462 |
| Legal reserve | 45,168 | 44,850 | 318 |
| Other reserves: | | | |
| - Extraordinary reserve | 188,114 | 180,542 | 7,572 |
| - Fair value and cash flow hedge reserve | 93 | (925) | 1,018 |
| - Stock option reserve | 8,489 | 6,784 | 1,705 |
| - Reserve for treasury shares | (14,534) | (14,534) | - |
| - Actuarial evaluation reserve | (134) | (113) | (21) |
| - Profit (loss) carried forward | 10,441 | 10,441 | - |
| **Total** | **271,937** | **252,883** | **19,054** |

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 €25,838 thousand at 31 December 2020 following the exercise of options assigned under the "Stock Option Plan 2016-2022". In 2021 the reserve was increased by €34,300 thousand following further exercise of stock options under the same plan of €8,462 thousand.

The "Legal reserve" has a balance of €45,168 thousand at 31 December 2021. The increase of €318 thousand with respect to 31 December 2020 follows the allocation of profit for 2020, as approved by the AGM on 21 April 2021.

The "Extraordinary reserve" amounts to €188,114 thousand, showing an increase of 7,572 thousand against 31 December 2020 due to the allocation of the profit for 2020, as resolved during the AGM on 21 April 2021.

The "Fair value and cash flow hedge reserve" reports a balance of €93 thousand, net of €30 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 *33. Risk management*.

The "Stock option reserve" refers to the two share-based incentive plans described in note *20. Stock option* plans and at 31 December 2021 amounted to €8,489 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.

A reserve of €2,983 thousand was allocated for the "Stock option plan 2016-2022"; the change with respect to 31 December 2020 is explained by the exercise of 347,528 options for a total of €1,873 thousand.

A reserve of €5,506 thousand was allocated for the "Stock option plan 2020-2027"; the change with respect to 31 December 2020 is explained by the notional cost of the plan accrued for €3,578 thousand.

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 | 226,344 (1) | | |
| Capital reserves: | | | |
| - Share premium reserve | 34,300 (2) | A, B | |
| - Treasury share reserve | (14,534) | | |
| Earnings reserves: | | | |
| - Legal reserve | 45,168 | B | |
| - Extraordinary reserve | 188,114 | A, B, C | 173,446 |
| - Fair value and cash flow hedge reserve | 93 | | |
| - Stock option reserve | 8,489 | | |
| - Actuarial evaluation reserve | (134) | | |
| - Profit (loss) carried forward | 10,441 | A, B, C | 1,866 |
| **Total** | **498,281 (3)** | | **175,312** |

(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 2021 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 2021 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 31.12.2021 | Within one year | One to five years | Beyond five years | Balance 31.12.2020 | Change |
|---|---|---|---|---|---|---|---|---|---|
| Overdrafts | 50,004 | - | - | 50,004 | 2 | - | - | 2 | 50,002 |
| Long-term loans (current portion) | 170,605 | - | - | 170,605 | 86,553 | - | - | 86,553 | 84,052 |
| **Total short-term bank loans and borrowings** | **220,609** | **-** | **-** | **220,609** | **86,555** | **-** | **-** | **86,555** | **134,054** |
| Long-term loans | - | 357,457 | - | 357,457 | - | 330,012 | - | 330,012 | 27,445 |
| **Total bank loans and borrowings** | **220,609** | **357,457** | **-** | **578,066** | **86,555** | **330,012** | **-** | **416,567** | **161,499** |

Despite its sound, solid financial situation, in 2021, as part of its strategy to extend the average maturity of its debt and take advantage of the favorable market conditions, the Company decided to increase and diversify financial resources by signing agreements for three loans on 24 March (€100,000 thousand, duration of 5 years, repayable in quarterly instalments as of June 2022), 14 May (€50,000 thousand, duration of 5 years, repayable in semi-annual instalments as of June 2022) and 19 May (€100,000 thousand, duration of 5 years, repayable in semi-annual instalments), respectively, for a total of €250 million. The Company also renegotiated the conditions of a term loan, reducing the overall cost and extending the final maturity. An agreement for a 1-year bullet loan of €50,000 thousand was also signed.

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 2021.

Most of the bank debt is floating rate; as a result of the hedges on a few 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 expected 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:

| | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Negative fair value of derivatives (short-term portion) | 265 | 707 | (442) |
| Private placement (short-term portion) | 21,400 | 21,430 | (30) |
| Other short-term financial payables | 620 | 1,062 | (442) |
| **Total short-term payables** | **22,285** | **23,199** | **(914)** |
| Negative fair value of derivatives (one to five years) | - | 611 | (611) |
| Private placement (one to five years) | 85,661 | 85,672 | (11) |
| **Total long-term payables (one to five years)** | **85,661** | **86,283** | **(622)** |
| Private placement (beyond five years) | 171,795 | 42,877 | 128,918 |
| **Total long-term payables (beyond five years)** | **171,795** | **42,877** | **128,918** |
| **Total** | **279,741** | **152,359** | **127,382** |

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.

The securities were issued in a single tranche, have a duration of 10 years, expire in June 2027, and 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 installments beginning June 2021 and ending June 2027, without prejudice to the Company's ability to repay the entire amount in advance.

The securities are unrated and are not intended to be listed on any regulated markets. The notes are subject to half-yearly financial covenants in line with those contemplated in other existing loan transactions. At 31 December 2021 the covenants (ratio of the consolidated net financial position to consolidated net equity, ratio of consolidated net financial position to consolidated EBITDA before non-recurring/stock option costs) had not been breached. The issue is not secured by collateral of any kind.

On 7 April 2021 the issue of another €150 million tranche, maturing in 2041, of the USPP was finalized. It was issued and underwritten by a leading US financial group.

The notes were issued in a single tranche, maturing in April 2041, with a duration of 20 years and an average life of 15 years. Interest matures on the private placement as from the subscription date at a fixed annual rate of 1.18%. The loan will be repaid annually on a straight-line basis. The first repayment will fall due in April 2031 and the last in April 2041, without prejudice to the Company's early repayment option.

The bonds issued are not rated and will not be traded on regulated markets.

This loan is subject to half-yearly financial covenants, in line with those contemplated in other existing loan transactions. At 31 December 2021 the covenants (ratio of the net financial position to consolidated net equity, ratio of EBITDA before non-recurring/stock option costs to the net financial position) had not been breached. The issue is not secured by collateral of any kind.

"Other short-term financial payables" refers to the €133 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 €486 thousand.

More details on the fair value of derivatives, hedging both exchange rate and interest rate risk, can be found in note *33. Risk management*.

The balance includes €137 thousand in payables from related parties, as reported in Appendix 4.

## Net financial position

Details of the net financial position are as follows:

| | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| A. Cash | 20,467 | 44 | 20,423 |
| B. Cash equivalents | - | - | - |
| C. Other current financial assets | 885,926 | 577,570 | 308,356 |
| *of which lease prepayments* | - | - | - |
| **D. Cash, cash equivalents and other current financial assets (A + B + C)** | **906,393** | **577,614** | **328,779** |
| E. Current financial liabilities | (72,302) | (22,124) | (50,178) |
| *of which lease liabilities* | *(277)* | *(277)* | - |
| F. Current portion of non-current financial liabilities | (170,604) | (86,553) | (84,051) |
| **G. Current financial liabilities (E + F)** | **(242,906)** | **(108,677)** | **(134,229)** |
| **H. Current net financial liabilities (D + G)** | **663,487** | **468,937** | **194,550** |
| I.1. Other non-current financial assets | 109 | 116 | (7) |
| I. Non-current financial liabilities | (358,218) | (330,966) | (27,252) |
| *of which lease liabilities* | *(761)* | *(954)* | *193* |
| J. Debt instruments | (257,456) | (128,549) | (128,907) |
| K. Trade payables and other non-current liabilities | - | - | - |
| **L. Non-current net financial liabilities (I + I.1+ J + K)** | **(615,565)** | **(459,399)** | **(156,166)** |
| **M. Total financial liabilities (H + L)** | **47,922** | **9,583** | **38,384** |
| *Fair value of derivatives and other financial non-bank assets/liabilities* | *51* | *(1,965)* | *2,016* |
| **Total net financial position** | **47,973** | **7,573** | **40,400** |

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. Deffered 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:

| | 31.12.2021 | | | 31.12.2020 | | | |
|---|---|---|---|---|---|---|---|
| | Taxable amount | Tax rate | Total tax | Taxable amount | Tax rate | Total tax | Change |
| Provisions for contingencies and other charges | 35 | 24.0% | 9 | 19 | 24.0% | 5 | 4 |
| Other temporary differences | (7,334) | 24.0% | (1,760) | (7,313) | 24.0% | (1,755) | (5) |
| **Total deferred tax assets recognized in the income statement** | **(7,299)** | | **(1,751)** | **(7,294)** | | **(1,750)** | **(1)** |
| **Reserves distributable by subsidiaries** | **12,337** | **24.0%** | **2,962** | **11,631** | **24.0%** | **2,791** | **171** |
| **Total deferred tax assets/advance tax recognized in the income statement** | **5,038** | | **1,211** | **4,337** | | **1,041** | **170** |
| Fair value of cash flow hedge derivatives | 123 | 24.0% | 29 | (1,217) | 24.0% | (292) | 321 |
| Actuarial valuation of provision according to IAS 19 | (177) | 24.0% | (44) | (149) | 24.0% | (36) | (8) |
| **Total temporary differences recognized in net equity** | **(54)** | | **(15)** | **(1,366)** | | **(328)** | **313** |
| **Net total** | **4,984** | | **1,196** | **2,971** | | **713** | **483** |

"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:

| | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Provision for severance indemnities | 513 | 476 | 37 |
| Long term benefits | 5,366 | 5,872 | (506) |
| **Total** | **5,879** | **6,348** | **(469)** |

The composition of the company's workforce is analyzed in the following table:

| | 31.12.2021 | Average 2021 | 31.12.2020 | Average 2020 |
|---|---|---|---|---|
| White collars | 39 | 36 | 34 | 33 |
| Managers | 19 | 19 | 18 | 18 |
| **Total** | **58** | **55** | **52** | **51** |

### 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 | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Defined benefit obligations | 513 | 476 | 37 |

| Net cost charged to income statement | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Interest cost on obligations | 2 | 3 | (1) |
| **Total** | **2** | **3** | **(1)** |

| Change in present value of obligations | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| **Present value at 1 January** | **476** | **486** | **(10)** |
| Utilization of provision | (3) | (11) | 8 |
| Interest cost on obligations | 2 | 3 | (1) |
| Actuarial gain losses booked in the statement of comprehensive income | 28 | (2) | 30 |
| Other | 10 | - | 10 |
| **Present value at reporting date** | **513** | **476** | **37** |

The principal assumptions used for determining the obligations under the plan described are as follows:

| Assumptions used | Severance indemnity 2021 | Severance indemnity 2020 |
|---|---|---|
| Discount rate | 0.9% | 0.5% |
| Future salary increases | 1.5% - 2.5% | 0.5% - 1.5% |
| Inflation rate | 1.5% | 0.5% |

"Long-term benefits" refers to the amount accrued for the incentive plan 2021-2023 in the reporting period. This plan was approved by the Board of Directors for the Chief Executive Officer of De' Longhi S.p.A. and a limited number of Company executives and key resources. For further details please refer to the *Report on Remuneration*.

## 27. Trade payables

The balance of €5,865 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. Current tax liabilities

These are analyzed as follows:

| | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Direct taxes | - | 122 | (122) |
| **Total** | **-** | **122** | **(122)** |

## 29. Other payables

These are analyzed as follows:

| | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Payables towards related parties | 5,750 | 5,396 | 354 |
| Employees | 3,906 | 2,747 | 1,159 |
| Withholdings payable | 2,938 | 1,592 | 1,346 |
| Social security institutions | 1,399 | 498 | 901 |
| Other | 2,647 | 2,414 | 233 |
| **Total** | **16,640** | **12,647** | **3,993** |

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 €1,124 thousand in payables to Italy's principal social security agency (INPS), and €275 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.

## 30. Commitments

These are detailed as follows:

| | 31.12.2021 | 31.12.2020 | Change |
|---|---|---|---|
| **Guarantees given for the benefit of:** | | | |
| De' Longhi Capital Services S.r.l. | 266,132 | 339,250 | (73,118) |
| De'Longhi Australia PTY Ltd. | 20,611 | 19,891 | 720 |
| De'Longhi Kenwood A.P.A. Ltd. | 18,181 | 17,936 | 245 |
| De'Longhi LLC | 7,231 | 6,675 | 556 |
| De'Longhi Romania S.r.l. | 5,809 | 5,367 | 442 |
| NPE S.r.l. (1) | 5,000 | 5,000 | - |
| De'Longhi Kenwood Korea Ltd. | 1,571 | 1,617 | (46) |
| De'Longhi Mexico S.a. | 1,324 | 1,222 | 102 |
| Elle S.r.l. | 446 | 446 | - |
| DeLonghi South Africa Pty Ltd. | 374 | 374 | - |
| De'Longhi Kenwood MEIA FZE | 360 | 333 | 27 |
| De'Longhi Japan Corp. | 230 | 237 | (7) |
| De'Longhi America Inc. | 212 | 196 | 16 |
| De' Longhi Appliances S.r.l. | 166 | 5,238 | (5,072) |
| De'Longhi Scandinavia A.B. | 78 | 82 | (4) |
| De'Longhi Canada Inc. | 70 | 64 | 6 |
| De'Longhi Polska Sp.Zo.o. | 27 | 27 | - |
| E-Services S.r.l. | 11 | 11 | - |
| De Longhi Benelux S.A. | 7 | - | 7 |
| DL Chile S.A. | 7 | 6 | 1 |
| De'Longhi Brasil Ltda. | - | 4,155 | (4,155) |
| Kenwood Limited Ltd. | - | 2,000 | (2,000) |
| De'Longhi Ukraine LLC | - | 81 | (81) |
| Dong Guan De'Longhi Kenwood Appliances Co. Ltd. | - | 8 | (8) |
| **Total De' Longhi Group companies and related parties** | **327,847** | **410,216** | **(82,369)** |

(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.

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 €185,181 at 31 December 2021 (€152,754 at 31 December 2020), 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 positive fair value of which amounted to €4,159 thousand at 31 December 2021 (negative for €1,278 at 31 December 2020);

- the Company also issued third party guarantees totalling €31 thousand.

No elements of risk as defined by IAS 37 have been noted to date.

## 31. 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.

| 31.12.2021 | | 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.

| 31.12.2020 | | Assets | | |
|---|---|---|---|---|
| | Total value | Amortized cost | Fair value in Profit&Loss | Fair value in OCI |
| **Non-current assets** | | | | |
| - Equity investments(*) | - | | | |
| - Receivables | 119 | 119 | | |
| - Other non-current financial assets | - | | | |
| **Current assets** | | | | |
| - Trade receivables | 3,418 | 3,418 | | |
| - Current tax assets | - | | | |
| - Other receivables | 11,587 | 11,587 | | |
| - Current financial receivables and assets | 577,570 | 577,570 | | |
| - Cash and cash equivalents | 44 | 44 | | |

| 31.12.2020 | | Liabilities | | |
|---|---|---|---|---|
| | Total value | Amortized cost | Fair value in Profit&Loss | Fair value in OCI |
| **Non-current liabilities** | | | | |
| - Bank loans and borrowings (long-term portion) | (330,012) | (330,012) | | |
| - Other financial payables (long-term portion)(**) | (129,160) | (128,549) | | (611) |
| **Current liabilities** | | | | |
| - Trade payables | (4,345) | (4,345) | | |
| - Bank loans and borrowings (short-term portion) | (86,555) | (86,555) | | |
| - Other financial payables (short-term portion)(**) | (22,552) | (21,845) | (2) | (705) |
| - Current tax liabilities | (122) | (122) | | |
| - Other payables | (12,647) | (12,647) | | |

(*) Interests in subsidiaries, associates and joint ventures are not included (IFRS 9 - 2.1 a).

(**) 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).

## 32. 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 2021. 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 | | *51* | |

There were no transfers between the levels during the year.

## 33. 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 medium-term credit lines, linked to current loans and described in this report, 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 company's annual funding requirements for working capital, investments and settlement of payables on their natural due dates.

Note *31. 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 2021 and at 31 December 2020 on the basis of undiscounted contractual payments.

With regard to lease liabilities in accordance with IFRS 16, please refer to note *10. Leases*.

| | Undiscounted cash flows at 31.12.2021 | Within one year | One to five years | Beyond five year | Undiscounted cash flows at 31.12.2020 | Within one year | One to five years | Beyond five year |
|---|---|---|---|---|---|---|---|---|
| Bank loans and borrowings (*) | (579,378) | (221,161) | (358,217) | - | (420,211) | (87,780) | (332,431) | - |
| Other financial payables (**) | (311,220) | (25,763) | (97,037) | (188,420) | (159,077) | (24,142) | (91,371) | (43,564) |
| Trade payables | (5,865) | (5,865) | - | - | (4,345) | (4,345) | - | - |
| Current tax liabilities and other payables | (16,640) | (16,640) | - | - | (12,769) | (12,769) | - | - |
| **Total** | **(913,103)** | **(269,429)** | **(455,254)** | **(188,420)** | **(596,402)** | **(129,036)** | **(423,802)** | **(43,564)** |

(*) The corresponding balance reported in the financial statements is €578,066 thousand at 31 December 2021 and €416,567 thousand at 31 December 2020. See note *23. Bank loans and borrowings*

(**) The corresponding balance reported in the financial statements amounted to €279,476 thousand at 31 December 2021 (net of the fair value of derivatives of €264 thousand) and €150,394 thousand at 31 December 2020 (net of the fair value of derivatives of €1,318 thousand and the variable consideration paid for the purchase of a minority interest of €647 thousand). For further details refer to note *24. Other financial payables*.

## 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 +/- €6 thousand (+/- €4 thousand at 31 December 2020). 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 2021 are described in the paragraph *"Interest rate and currency exchange hedges at 31 December 2021"*.

## 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 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 debt.

At 31 December 2021 there were three Interest Rate Swaps (IRS) hedging interest rate risk in loans taken out by the Company.

**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 €540.6 million on a total of €48.0 million in net debt at 31 December 2021 and total net assets of €434.2 million on a total of €7.6 million in net debt in 2020). 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 +/- €5.4 million before tax at 31 December 2021 recognized entirely in the income statement (+/- €4.3 million before tax at 31 December 2020).

The existing interest rate swaps used to hedge interest rate risk made it possible to exchange floating rate debt for fixed rate debt. Any change, therefore, in interest rates would not impact 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 2021 a change of +/- 1% in rates would cause a change in the cash flow hedge of +/- €1.4 million before tax (+/- € 1.4 million before tax at 31 December 2020).

Please refer to the paragraph *"Interest rate and currency exchange hedges at 31 December 2021"* for more information.

**Interest rate and currency exchange hedges at 31 December 2021**

The Company had a number of derivatives at 31 December 2021, hedging both the fair value of underlying instruments and exposure to changes in cash flow.

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 reported as financial assets and liabilities held for trading 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 2021 is provided below:

| | 31.12.2021 Fair value |
|---|---|
| FX forward agreements | (4) |
| Derivatives hedging foreign currency receivables/ payables | (4) |
| Derivatives hedging interest rate risk (IRS) | 55 |
| Derivatives covering expected cash flows | 55 |
| **Total fair value of the derivatives** | **51** |

**Hedges against foreign currency receivables and payables:**

| Currency | Notional amount (in thousands) | | | | | | Fair value with Group (in €/000) | |
|---|---|---|---|---|---|---|---|---|
| | Group | | | Third parties | | | Asset | Liability |
| | Purchases | Sales | Total | Purchases | Sales | Total | | |
| HKD/EUR | (13,750) | 13,750 | - | - | - | - | - | (4) |
| | | | | | | **Total Fair Value** | **-** | **(4)** |

**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 2020 the fair value of the derivatives, which also takes into account counterparty risk in accordance with IFRS 13 - Fair Value measurement, was positive for €55 thousand and is recognized, for €316 thousand, under financial receivables and, for €261 thousand, under amounts payable to other lenders. As the hedge on future interest flows qualifies as an effective hedge, at 31 December 2021 a positive cash flow hedge reserve of €123 thousand was reported in net equity, net of the related tax effect of €30 thousand.

Details are as follows (the figures are shown before tax):

| | 31.12.2021 Fair value (in €/000) |
|---|---|
| Interest Rate Swap (IRS) connected to the loan with notional amount equal to € 78,000 thousand | 174 |
| Interest Rate Swap (IRS) connected to the loan with notional amount equal to € 75,000 thousand | (89) |
| Interest Rate Swap (IRS) connected to the loan with notional amount equal to € 9,500 thousand | (30) |
| **Total fair value of the derivates** | **55** |
| *of which:* | |
| *positive medium/long-term fair value* | *316* |
| *negative short-term fair value* | *(261)* |

## 34. 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.

## 35. Subsequent events

After 31 December 2021 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.

With regard to the international scenario, in the first few months of 2022 the European geopolitical situation gradually took a turn for the worse. The rapid escalation of the tensions between Russia and Ukraine has given rise to concerns, first of all, about the safety of everyone, all the employees and their families and, secondly, the economic situation in these markets.

The Company is carrying out a series of assessments in order to estimate the possible economic and financial impact of a scenario that today is entirely uncertain.

Other than the above, no other significant events occurred after the close of the year.

## 36. 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 20 April 2022 *("Annual Report at 31 December 2021: presentation of the financial statements at 31 December 2021, together with the Directors' Report on Operations, the Board of Statutory Auditors' Report, the External Auditors' Report and the Certification of the Financial Reporting Officer. Related and consequent resolutions").***

Dear Shareholders,

in submitting the De' Longhi S.p.A.'s Annual Report at 31 December 2021 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 2021 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 2021 of De' Longhi S.p.A.".*

**2) Proposed resolution relating to item 1.2 of the Agenda for the Annual General Meeting convened on 20 April 2022 *("Annual Report at 31 December 2021: 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 2021, which amounted to €107,098,783, 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 2021 and the Directors' Report on Operations*

resolve

1. *to allocate €101,259 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 €0.83 for each of the shares outstanding with dividend rights at the record date, as per art. 83-terdecies of Legislative Decree 58/98, using the net profit for 2021 after the allocation referred to in item 1 above has been made and the extraordinary reserve;*
3. *to establish that the payment of the dividend, on each share entitled to receive a dividend, will take place on 25 May 2022, with shares going ex-div on 23 May 2022, 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 24 May 2022".*

*Treviso, 10 March 2022*

*De' Longhi S.p.A.*
*The Chief Executive Officer*

Massimo Garavaglia

# Separate annual report and financial statements

## Appendices

A

# 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 Massimo Garavaglia, 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 2021:

- 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 2021:

- 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.

Massimo Garavaglia
*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) | 2021 | 2020 |
|---|---|---|
| Net profit (loss) | 107,099 | 88,710 |
| Income taxes for the period | (5,732) | (4,656) |
| Income for dividends receipt | (133,327) | (110,949) |
| Amortization | 561 | 777 |
| Net change in provisions and other non-cash items | 3,065 | 5,840 |
| **Cash flow absorbed by current operations (A)** | **(28,334)** | **(20,278)** |
| **Change in assets and liabilities for the period:** | | |
| Trade receivables | 2,147 | (429) |
| Trade payables | 1,520 | (2,009) |
| Other changes in net working capital | 5,378 | 3,410 |
| Payment of income taxes | (918) | (320) |
| **Cash flow generated by changes in working capital (B)** | **8,127** | **652** |
| **Cash flow absorbed by current operations and changes in working capital (A+B)** | **(20,207)** | **(19,626)** |
| **Investment activities:** | | |
| Investments in intangible assets | (124) | (10) |
| Investments in tangible assets | (136) | (65) |
| Investments in leased assets | (104) | (202) |
| Other cash flow from tangible assets | 16 | - |
| Dividends receipt | 133,327 | 110,949 |
| **Cash flow generated by investment activities (C)** | **132,979** | **110,672** |
| **Cash flow by operating activities (A+B+C)** | **112,772** | **91,046** |
| Purchase of treasury shares | - | (14,534) |
| Exercise of stock option | 7,110 | 21,452 |
| Dividends paid | (80,822) | (80,813) |
| Cash flow hedge reserve | 1,340 | (1,379) |
| **Cash flow absorbed by changes in net equity (E)** | **(72,372)** | **(75,274)** |
| **Cash flow for the period (A+B+C+D+E)** | **40,400** | **15,772** |
| **Opening positive net financial position (net financial debt)** | **7,573** | **(8,199)** |
| Cash flow for the period (A+B+C+D+E) | 40,400 | 15,772 |
| **Closing positive net financial position** | **47,973** | **7,573** |

# 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 | 293,608,096 | Eur | 46,792,213 | 100% | 266,737 |
| De' Longhi Appliances S.r.l. | Treviso | Eur | 200,000,000 | Eur | 403,918,593 | Eur | 137,065,242 | 100% | 242,678 |
| De'Longhi Deutschland GmbH [2] | Neu Isenburg | Eur | 2,100,000 | Eur | 41,056,505 | Eur | 9,384,673 | 100% | 40,800 |
| De' Longhi Capital Services S.r.l. [3][4] | Treviso | Eur | 53,000,000 | Eur | 60,988,646 | Eur | 5,288,677 | 11,32% | 6,005 |
| E-Services S.r.l. | Treviso | Eur | 50,000 | Eur | 1,843,002 | Eur | 1,518,751 | 100% | 5,264 |
| De'Longhi Romania S.r.l. [2][4] | Cluj-Napoca | Ron | 140,000,000 | Ron | 532,509,204 | Ron | 78,122,700 | 10% | 3,078 |
| De'Longhi Kenwood GmbH [2] | Wr. Neudorf | Eur | 36,336 | Eur | 4,226,507 | Eur | 1,429,732 | 100% | 2,900 |
| Clim.Re S.A. [4][5] | Luxembourg | Eur | 1,239,468 | Eur | 1,668,625 | Eur | - | 4% | 54 |
| De'Longhi Polska Sp.Zoo [2][4] | Warszawa | Pln | 50,000 | Pln | 74,105,446 | Pln | 15,314,325 | 0,1% | - |
| **Total** | | | | | | | | | **567,516** |

(*) Statutory figures at 31 December 2021, unless otherwise specified.

(1) Statutory figures at 31 December 2019.

(2) Figures used for the purposes of consolidation at 31 December 2021.

(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.

(5) Statutory figures at 31 December 2020.

# Changes in equity investments

(Appendix 3 to the Explanatory Notes - *cont'd*)

| Equity investments (Amounts in thousands of Euro) | Book value at 31.12.2020 | Acquisitions, subscriptions and recapitalizations | Demerger | Net impairment losses and reversals | Book value at 31.12.2021 |
|---|---|---|---|---|---|
| **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 | 2021 | of which related parties | 2020 | of which related parties |
|---|---|---|---|---|---|
| Revenues | 1 | 14,547 | 14,443 | 8,847 | 8,723 |
| **Total revenues** | | **14,547** | | **8,847** | |
| Raw and ancillary materials, consumables and goods | 2 | (51) | | (52) | |
| **Materials consumed** | | **(51)** | | **(52)** | |
| Payroll costs | 3 | (19,656) | | (14,483) | |
| Services and other operating expenses | 4 | (20,974) | (2,034) | (16,195) | (2,030) |
| Amortization | 5 | (561) | | (777) | |
| **EBIT** | | **(26,695)** | | **(22,660)** | |
| Net financial income (expenses) | 6 | 128,062 | 134,089 | 106,714 | 111,091 |
| **Profit (loss) before taxes** | | **101,367** | | **84,054** | |
| Income taxes | 7 | 5,732 | | 4,656 | |
| **Net profit (loss)** | | **107,099** | | **88,710** | |

# 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** | **31.12.2021** | **of which related parties** | **31.12.2020** | **of which related parties** |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Intangible assets | | 102 | | 210 | |
| *- Other intangible assets* | *8* | *102* | | *210* | |
| Tangible assets | | 1,196 | | 1,285 | |
| *- Other tangible assets* | *9* | *162* | | *60* | |
| *- Right of use assets* | *10* | *1,034* | | *1,225* | |
| Equity investments and other financial assets | | 567,944 | | 567,635 | |
| *- Equity investments* | *11* | *567,516* | | *567,516* | |
| *- Receivables* | *12* | *112* | *109* | *119* | *116* |
| *- Other non-current financial assets* | *13* | *316* | | - | |
| **Total non-current assets** | | **569,242** | | **569,130** | |
| **Current assets** | | | | | |
| Trade receivables | *14* | 1,271 | 1,269 | 3,418 | 1,847 |
| Current tax assets | *15* | 796 | | - | |
| Other receivables | *16* | 16,102 | 10,518 | 11,587 | 4,583 |
| Current financial receivables and assets | *17* | 885,926 | 885,918 | 577,570 | 577,570 |
| Cash and cash equivalents | *18* | 20,467 | | 44 | |
| **Total current assets** | | **924,562** | | **592,619** | |
| **Total assets** | | **1,493,804** | | **1,161,749** | |

| **Statement of financial position pursuant to CONSOB resolution 15519 of 27 July 2006<br>Net equity and liabilities<br>(Amounts in thousands of Euro)** | **Notes** | **31.12.2021** | **of which related parties** | **31.12.2020** | **of which related parties** |
|---|---|---|---|---|---|
| **Net equity** | | | | | |
| Net equity | | 605,379 | | 567,416 | |
| *- Share capital* | *21* | *226,344* | | *225,823* | |
| *- Reserves* | *22* | *271,936* | | *252,883* | |
| *- Net profit (loss)* | | *107,099* | | *88,710* | |
| **Total net equity** | | **605,379** | | **567,416** | |
| **Non-current liabilities** | | | | | |
| Financial payables | | 615,674 | | 460,127 | |
| *- Bank loans and borrowings (long-term portion)* | *23* | *357,457* | | *330,012* | |
| *- Other financial payables (long-term portion)* | *24* | *257,456* | | *129,161* | |
| *- Lease liabilities (long-term portion)* | *10* | *761* | *634* | *954* | *802* |
| Deferred tax liabilities | *25* | 1,196 | | 713 | |
| Non-current provisions for contingencies and other charges | | 5,879 | | 6,348 | |
| *- Employee benefits* | *26* | *5,879* | | *6,348* | |
| **Total non-current liabilities** | | **622,749** | | **467,188** | |
| **Current liabilities** | | | | | |
| Trade payables | *27* | 5,865 | 34 | 4,345 | |
| Financial payables | | 243,171 | | 110,031 | |
| *- Bank loans and borrowings (short-term portion)* | *23* | *220,609* | | *86,555* | |
| *- Other financial payables (short-term portion)* | *24* | *22,285* | *137* | *23,199* | *81* |
| *- Lease liabilities (short-term portion)* | *10* | *277* | *176* | *277* | *172* |
| Current tax liabilities | *28* | - | | 122 | |
| Other payables | *29* | 16,640 | 5,750 | 12,647 | 5,396 |
| **Total current liabilities** | | **265,676** | | **127,145** | |
| **Total net equity and liabilities** | | **1,493,804** | | **1,161,749** | |

# 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. | - | - | - | - | - | 10.3 | - | - | - |
| **Total ultimate parent companies (a)** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **10.3** | **0.0** | **0.0** | **0.0** |
| **Subsidiary companies:** | | | | | | | | | |
| DE' LONGHI APPLIANCES S.R.L. | 6.0 | (0.1) | 74.2 | - | - | 0.8 | (0.6) | (0.2) | (5.6) |
| DE'LONGHI US HOLDING LLC | 3.9 | - | - | - | - | 0.2 | - | - | - |
| E-SERVICES S.R.L. | 2.5 | (0.5) | 1.5 | - | - | 0.3 | - | - | (0.2) |
| DE'LONGHI KENWOOD A.P.A. LTD | 1.5 | - | 0.1 | 0.1 | - | - | - | - | - |
| DE'LONGHI HOUSEHOLD GMBH | 0.1 | - | - | - | - | 0.1 | - | - | - |
| DE'LONGHI S.R.L. - ROMANIA | 0.1 | - | - | - | - | - | - | - | - |
| KENWOOD LIMITED | 0.1 | (0.2) | - | - | - | - | - | - | - |
| DE'LONGHI AMERICA INC. | - | (1.2) | - | - | - | - | - | - | - |
| DE LONGHI BENELUX S.A. | - | - | 55.0 | - | - | - | - | - | - |
| DE'LONGHI-KENWOOD GMBH - AUSTRIA | - | - | 2.6 | - | - | - | - | - | - |
| DE' LONGHI CAPITAL SERVICES S.R.L. | - | - | 0.7 | - | 885.9 | - | - | (0.1) | - |
| **Total subsidiary companies (b)** | **14.2** | **(2.0)** | **134.1** | **0.1** | **885.9** | **1.4** | **(0.6)** | **(0.3)** | **(5.8)** |
| **Related companies:** | | | | | | | | | |
| GAMMA S.R.L. | 0.1 | - | - | - | - | - | - | - | - |
| DL RADIATORS S.R.L. | 0.1 | - | - | - | - | 0.1 | - | - | - |
| **Total related companies (c)** | **0.2** | **0.0** | **0.0** | **0.0** | **0.0** | **0.1** | **0.0** | **0.0** | **0.0** |
| **Total ultimate parent, subsidiary and related companies (a+b+c)** | **14.4** | **(2.0)** | **134.1** | **0.1** | **885.9** | **11.8** | **(0.6)** | **(0.3)** | **(5.8)** |

(1) These mostly refer to dealings of a commercial nature and the supply of administrative services by company employees.

(2) These consist of €1.3 million in "Trade receivables" and €10.5 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 2021, the income statement, the statement of comprehensive income and the statement of changes in net equity, the statement of cash flow 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 2021, 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.

*PricewaterhouseCoopers SpA*

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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, related safeguards.

### *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) 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, 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 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 the Company as of 31 December 2021, 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 2021 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 2021 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, 28 March 2022

PricewaterhouseCoopers SpA

*Signed by*

Filippo Zagagnin
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*

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 226,344,138 (subscribed and paid-in)

Tax ID and Company Register no.: 11570840154

Treviso Chamber of Commerce no.: 224758

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