Disclaimer

The consolidated and draft statutory financial statements at 31 December 2022 have been translated into English solely for the convenience of the International reader. In the event of conflict or inconsistency between the terms used in the Italian Version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.

CHAIRMAN'S LETTER

For the Aeffe Group, 2022 represented a year of growth (+8.4% vs 2021) and a strong restart compared to the years of health emergency linked to the Covid-19 pandemic. All the Group's brands (Moschino, Alberta Ferretti, Philosophy di Lorenzo Serafini and Pollini) reported increasing revenues, exceeding pre-pandemic levels (2019), with satisfactory performances in the main geographical areas.

From a medium-long term industrial point of view, 2022 was characterized by a plan of significant strategic investments, implemented starting from the end of 2021 with the acquisition of the minority stake in the Moschino brand (brand now 100% owned). followed by the finalization of the direct distribution project in China.

In terms of operating margins, consolidated EBITDA was positive for 36 million euros (with an incidence of 10.1% on turnover), recording an increase of 0.6% compared to the 2021 EBITDA of 35 million (with a 10.9% incidence on turnover), despite the difficulties on the Chinese market related to the local health emergency which had a negative impact on the second half both on sales volumes and on expected margins, contributing to an increase in costs both variables and fixed.

The Group remains confident that the choices made will be reflected in the medium term in a progression of both revenues and profitability.

With attention to the evolution of the market context and the related contingencies, the Group is therefore committed to strengthening the development plans of the proprietary brands both at a commercial level and in terms of optimizing the corporate and organizational structure.

The OECD noted that, despite the impact of the war in Ukraine, the inflationary shock and the slowdown in China led to a slowdown in global growth of 3.2%, well below expectations at the beginning of the year, in In the first months of 2023, more positive signs are starting to appear, with business and consumer confidence progressing and China making a full recovery.

Global growth is expected to remain below its trend level in 2023 and 2024, at 2.6% and 2.9% respectively, while the tightening of macroeconomic policies will continue to produce its effects. However, a progressive improvement is expected in 2023 and 2024 coinciding with the mitigation of the impact of prices.

The improvement in the macroeconomic context is still fragile, with more balanced risks, albeit oriented to the downside. Uncertainty about the progress of the war in Ukraine and its wider consequences is a key concern and the impact of monetary policy changes is difficult to gauge, with a potential exacerbation of financial vulnerability.

Looking to the future, 2023 will therefore be another important year for the Group and for the various Brands with numerous activities that will see us engaged both in terms of reorganization and implementation of the extraordinary projects started in 2022, and in terms of style with the intention of be ever closer to customers and continue the growth path.

The Chairman of the Board of Directors

Massimo Ferretti

INDEX

Corporate boards of the Parent Company

Board of Directors

Chairman
Massimo Ferretti – Member of Executive Committee

Deputy Chairman
Alberta Ferretti

Chief Executive Officer
Simone Badioli – Member of Executive Committee

Directors
Giancarlo Galeone – Member of Executive Committee
Roberto Lugano
Bettina Campedelli
Francesca pace
Marco Francesco Mazzù
Daniela Saitta

Board of Statutory

President
Stefano Morri

Statutory Auditors
Fernando Ciotti
Carla Trotti

Alternate Auditors
Nevio Dalla Valle
Daniela Elvira Bruno

Board of Compensation Committee

President
Daniela Saitta

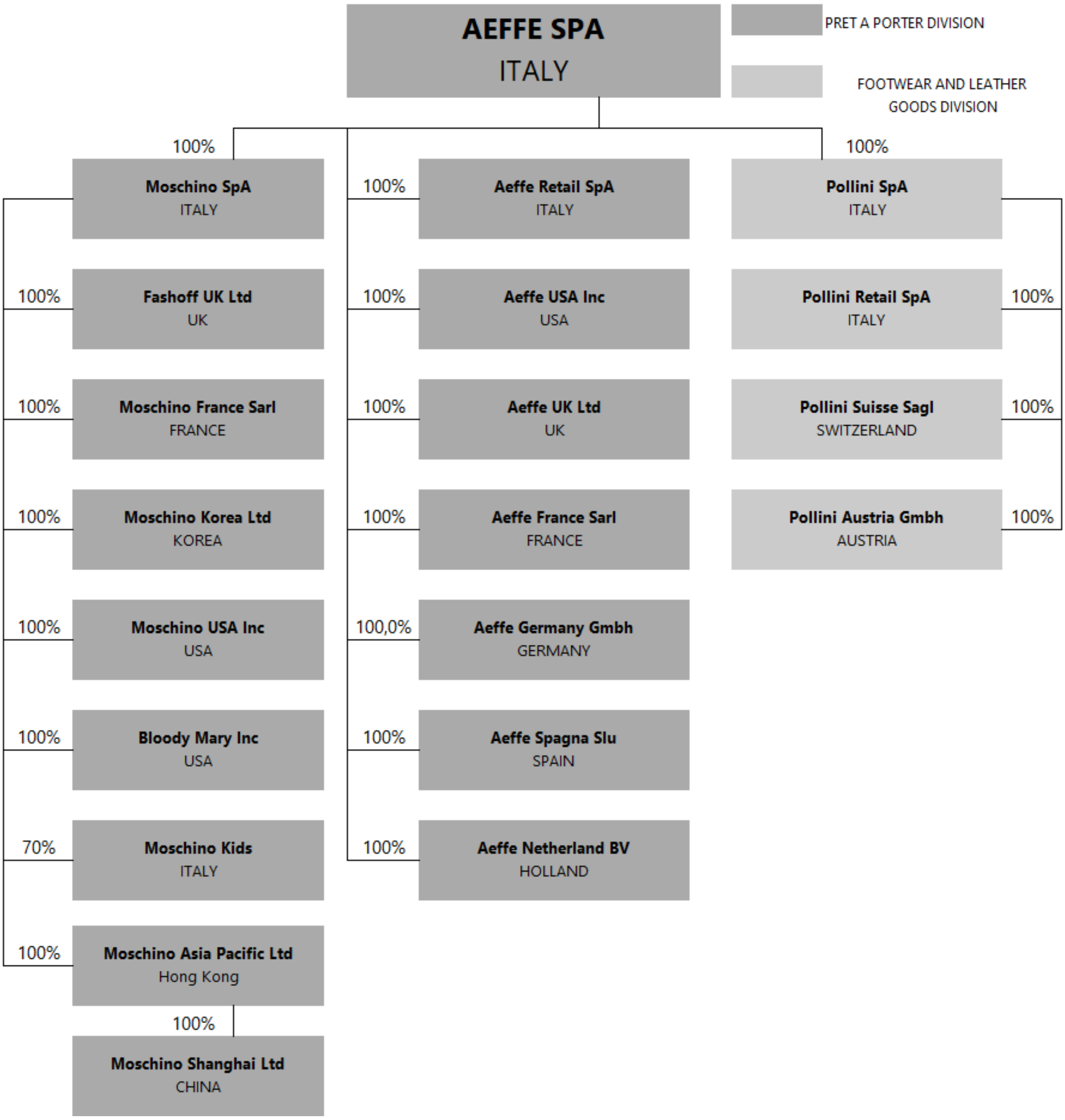
Members
Roberto Lugano
Marco Francesco Mazzù

Board of Risk and Sustainability Control Committee

President
Bettina Campedelli

Members
Roberto Lugano
Daniela Saitta

Organisation chart

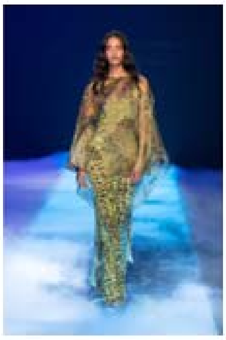


Brands portfolio

AEFFE SPA

Ready To Wear - Accessories

ALBERTA FERRETTI



MOSCHINO

PHILOSOPHY DI LORENZO SERAFINI

MOSCHINO JEANS

POLLINI SPA

Footwear – Leather Goods

POLLINI

MOSCHINO.

LOVE MOSCHINO

MOSCHINO SPA

Licences – Retail - Design

MOSCHINO.

BOUTIQUE MOSCHINO

LOVE MOSCHINO

AEFFE SPA

Beachwear – Underwear - Lingerie

MOSCHINO.

CHIARA FERRAGNI

HEADQUARTERS

AEFFE
Via Delle Querce, 51
47842 - San Giovanni in Marignano (RN)
Italy

MOSCHINO
Via San Gregorio, 28
20124 - Milan
Italy

POLLINI
Via Erbosa I° tratto, 92
47030 - Gatteo (FC)
Italy

SHOWROOMS

MILAN
(FERRETTI – PHILOSOPHY – POLLINI)
Via Donizetti, 48
20122 - Milan
Italy

LONDON
(FERRETTI – PHILOSOPHY – MOSCHINO)
28-29 Conduit Street
W1S 2YB - London
UK

NEW YORK
(GRUPPO)
30 West 56th Street
10019 - New York
USA

MILAN
(MOSCHINO)
Via San Gregorio, 28
20124 - Milan
Italy

PARIS
(FERRETTI – PHILOSOPHY – MOSCHINO)
43, Rue DU Faubourg Saint Honoré
75008 - Paris
France

Main flagshipstore locations under direct management

MOSCHINO
Milan
Rome
Capri
Venice
Florence
Paris
London
New York
Seoul
Pusan
Daegu
Shanghai
Shenzen
Guangzhou
Beijing

ALBERTA FERRETTI
Milan
Rome
Paris

POLLINI
Milan
Venice
Bolzano
Varese

Main economic-financial data

		Full Year 2022	Full Year 2021
Total revenues	(Values in millions of EUR)	363.6	333.1
Gross operating margin (EBITDA) *	(Values in millions of EUR)	35.6	35.3
Net operating profit (EBIT)	(Values in millions of EUR)	1.2	9.2
Profit before taxes	(Values in millions of EUR)	(3.8)	6.3
Net profit for the Group	(Values in millions of EUR)	(9.0)	12.1
Basic earnings per share	(Values in units of EUR)	(0.092)	0.122
Cash Flow (net profit + depreciation)	(Values in millions of EUR)	22.6	37.1
Cash Flow/Total revenues	(Values in percentage)	6.2	11.2

* EBITDA is represented by operating profit before provisions and depreciation. EBITDA thus defined is a measure used by management to monitor and evaluate the operational performance and is not identified as an accounting measure under both Italian Accounting Principles and IFRS and therefore should not be considered an alternative measure for evaluating the Group's results. Since EBITDA is not regulated by applicable accounting standards, the criteria used by the Group might not be consistent with that adopted by others and therefore may not be comparable.

		31 December 2022	31 December 2021
Net capital invested	(Values in millions of EUR)	341.6	288.9
Net financial indebtedness	(Values in millions of EUR)	231.8	168.7
Group net equity	(Values in millions of EUR)	109.8	120.2
Group net equity per share	(Values in units of EUR)	1.0	1.1
Current assets/ current liabilities	(Ratio)	2.0	1.8
Current assets less invent./ current liabilities (ACID test)	(Ratio)	1.0	0.9
Net financial indebtedness/ Net equity	(Ratio)	2.1	1.4
ROI: Net operating profit/ Net capital invested	(Values in percentage)	0.4	3.2

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

Report on operations

1. ECONOMIC BACKGROUND

Shareholders,

We find it necessary to focus on the main macroeconomic variables in the sphere of which our Group has found itself operating.

INTERNATIONAL MACROECONOMIC SITUATION

The global economy continues to be affected by high inflation, the deep uncertainty connected with the war in Ukraine and the restrictive stance of monetary policies. The cyclical indicators and the first available national statistics pointed to a worsening of the situation in the fourth quarter, more markedly so in the advanced countries and in China. International trade is also thought to have slackened at the end of last year.

Considerable risks persist in connection with geopolitical developments. Despite some signs of a decrease, inflation has remained high and central banks in the main advanced economies have continued with monetary restrictions. The international institutions expect global growth to weaken in 2023.

The Winter 2023 Economic Forecast of European Commission published on February 13th 2023, projects that, the EU economy entered 2023 on a better footing than projected in autumn. The Winter interim Forecast lifts the growth outlook for this year to 0.8% in the EU and 0.9% in the euro area. Both areas are now set to narrowly avoid the technical recession that was anticipated for the turn of the year. The forecast also slightly lowers the projections for inflation for both 2023 and 2024.

Favourable developments since the Autumn Forecast have improved the growth outlook for this year. Continued diversification of supply sources and a sharp drop in consumption have left gas storage levels above the seasonal average of past years, and wholesale gas prices have fallen well below prewar levels. In addition, the EU labour market has continued to perform strongly, with the unemployment rate remaining at its all-time low of 6.1% until the end of 2022. Confidence is improving and January surveys suggest that economic activity is also set to avoid a contraction in the first quarter of 2023.

Headwinds, however, remain strong. Consumers and businesses continue to face high energy costs and core inflation (headline inflation excluding energy and unprocessed food) was still rising in January, further eroding households' purchasing power.

As inflationary pressures persist, monetary tightening is set to continue, weighing on business activity and exerting a drag on investment.

The inflation forecast has been revised slightly downwards compared to autumn, mainly reflecting developments in the energy market. In the euro area, the headline inflation is forecasted to fall from 8.4% in 2022 to 5.6% in 2023 and to 2.5% in 2024.

While uncertainty surrounding the forecast remains high, risks to growth are broadly balanced. Domestic demand could turn out higher than projected if the recent declines in wholesale gas prices pass through to consumer prices more strongly and consumption proves more resilient. Nonetheless, a potential reversal of that fall cannot be ruled out in the context of continued geopolitical tensions. External demand could also turn out to be more robust following China's re-opening – which could, however, fuel global inflation.

Risks to inflation remain largely linked to developments in energy markets, mirroring some of the identified risks to growth. Especially in 2024, upside risks to inflation prevail, as price pressures may turn out broader and more entrenched than expected if wage growth were to settle at above-average rates for a sustained period.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

The Altagamma Consensus foresees for 2023, after a record 2022 compared to other sectors and decisively surpassing pre-Covid-19 levels, still growth, despite macroeconomic uncertainty. The increase in energy costs, rising inflation, the shortage of raw materials, geopolitical tensions and the drop in the purchasing power of some consumer groups will partially affect performance, which will however remain high. Average EBITDA for 2023 is expected to grow.

Europe is expected to grow by 5%, thanks to the increase in international travels (especially from the USA, thanks to the favorable euro-dollar exchange rate, but also from Arab countries) which will compensate for the weaker domestic demand. Also for the United States, with the development of new territories and a stronger domestic demand than in Europe, growth of 5% is forecast. China and Asia are more difficult to estimate: in particular in China, the lockdown policies for the containment of Covid-19 could bring unexpected effects. The market should still benefit from an opening and thanks to the rebound effect, consumption could grow by 9%. In the long run, China remains the largest luxury market, driven by the prosperity of the middle class, new generations and the development of new poles. A +7% is expected for the Middle East, with areas such as the United Arab Emirates (but also Turkey) which - not having imposed sanctions - are taking advantage of Russian consumption.

All categories will see an increase in sales not only thanks to an increase in prices, but also an increase in volumes. Therefore, grow in value. The leadership of accessories is reconfirmed, continuing their positive trend: +8.5% for leather goods and +7% for footwear. Apparel confirm the growth rate of 2022.

2. SUMMARY OF THE GROUP’S KEY ACTIVITIES

Aeffe Group operates worldwide in the fashion and luxury goods sector and is active in the design, production and distribution of a wide range of products that includes prêt-a-porter, footwear and leather goods. The Group develops, produces and distributes, with a constant focus on the qualities of uniqueness and exclusivity, its own collections both under its own-label brands, including “Alberta Ferretti”, “Philosophy di Lorenzo Serafini” “Moschino” and “Pollini”, and under licensed brands. The Group has also licensed to key partners the production and distribution of other accessories and products with which it supplements its product range (perfumes, children’s lines, sunglasses and other).

The Group’s business is divided, based on the various product lines and brands it sells, into two segments: (i) prêt-a-porter (which includes prêt-a-porter lines, lingerie and swimwear); and (ii) footwear and leather goods.

Prêt-a-porter Division

The Prêt-a-porter Division, which is composed of the companies Aeffe and Moschino, is mainly involved in the design, production and distribution of luxury prêt-a-porter garments and lingerie, beachwear and loungewear.

In terms of the prêt-a-porter collections, the activity is carried out by Aeffe, both for the production of the Group’s proprietary brands (“Alberta Ferretti”, “Philosophy di Lorenzo Serafini”, “Moschino”, “Boutique Moschino” and “Love Moschino”) and brands licensed from other companies. Aeffe also handles the distribution of all Division products both through the retail channel (via subsidiaries) and through the wholesale channel.

Furthermore Aeffe manufactures and distributes lingerie and swimwear collections, and specifically men’s/women’s lingerie, underwear and beachwear, and loungewear. Collections are produced and distributed under the Group’s proprietary brands, such as “Moschino”, and under third-party licensed brands.

The Prêt-a-porter Division also manages licensing agreements granted to other companies to manufacture Aeffe and Moschino branded product lines such as the Moschino brand licensing agreement relating to the

Love line, "Moschino" branded perfumes and sunglasses.

Aeffe

Aeffe is the brainchild of designer Alberta Ferretti, who set up her own business in 1972. The history of the parent company has developed in parallel with that of its founder, whose personal involvement in fashion has been a key factor in Aeffe's development.

The growth of the parent company as an industrial and creative entity has been distinguished from the start by a multi-brand approach, with Aeffe producing and distributing the prêt-a-porter collections of leading fashion houses utilising the know-how acquired in the production of luxury prêt-a-porter lines.

This provides the context for the partnership between Aeffe and designer Franco Moschino, whose brand "Moschino Couture!" it has produced and distributed under an exclusive licence since 1983.

Between 1995 and 2013, Aeffe worked with designer Jean Paul Gaultier producing and distributing the women prêt-à-porter collections branded "Jean Paul Gaultier".

In 2001, Aeffe gained control of Pollini, an established manufacturer of footwear and leather goods. This allowed Aeffe to supplement the collections produced in-house with an accessories line.

In 2002, Aeffe took over Velmar, a firm that had collaborated with Aeffe for some time on the production and distribution of lingerie, beachwear and loungewear lines.

In 2007 Aeffe is quoted on the Euronext Star Segment of Euronext Milan Market of Borsa Italiana.

In 2022 the 100% subsidiary Velmar S.p.A. is merged by incorporation into Aeffe S.p.A..

Moschino

Moschino was founded in 1983 and grew during the 1990s to become an internationally renowned brand. Following the disappearance in 1994 of its founder, Franco Moschino, his family, staff and friends have kept the designer's legacy alive, respecting his creative identity and philosophy. Rossella Jardini, who has worked for Franco Moschino since 1981, succeeded him as artistic director and becoming in charge of brand image and styling.

The company provides design, marketing and agency services from the Milan showroom for Moschino collections in Italy and overseas.

The company also directly manages five single-brand Moschino stores, two in Milan, one in Rome, one in Capri and one on-line.

In 2013 Jeremy Scott was appointed as creative director of the "Moschino" brand.

In 2021 Aeffe SpA. took over from Sinv Holding S.p.A., Sinv Real Estate S.p.A. and Sinv Lab S.r.l., the minority

Aeffe USA

Aeffe USA is 100% owned by Aeffe S.p.A. and was incorporated in May 1987 under the laws of the State of New York.

The company operates in the wholesale segment of the North American market (United States and Canada) distributing items of clothing and accessories produced by the parent company, Pollini S.p.A. and other third-party licensed manufacturers, with different collections, of the brands produced by the parent company. The company also acts as agent for some of these lines. The company operates out of its showroom located in midtown Manhattan.

Aeffe Retail

Aeffe Retail operates in the retail segment of the Italian market and directly manages 14 stores, both single-brand and multi-brand, located in major Italian cities such as Milan, Rome, Venice, Florence and Capri, manages also an on-line single-brand store.

Aeffe France

Aeffe France is 100% owned by Aeffe S.p.A. and manages the store in Rue St. Honorè in Paris, selling apparel and accessories under the Alberta Ferretti.

The company also acts as an agent for the French market for the brands Alberta Ferretti and Philosophy di Lorenzo Serafini.

Aeffe Germany

Aeffe Germany is 100% owned by Aeffe S.p.A. and manages the store in Metzingen in Germany, which sells clothing and accessories under the Group labels.

Aeffe Spagna

Aeffe Spagna is 100% owned by Aeffe S.p.A. and manages the store in Barcelona in Spain, which sells clothing and accessories under the Group labels.

Aeffe Netherland

Aeffe Netherland is 100% owned by Aeffe S.p.A. and manages the store in Roermond in Holland, which sells clothing and accessories under the Group labels.

Moschino Korea

Moschino Korea is 100% owned by Moschino S.p.A. and is based in Seoul. The company operates in the retail segment through flagship stores under direct management and duty-free which sell Moschino-branded collections.

Fashoff UK

Fashoff UK operates by the showroom in London, acting as agent for the collections Moschino, Alberta Ferretti and Philosophy di Lorenzo Serafini.

The company also directly manages a single-brand Moschino store in London.

Moschino France

Moschino France is based in the Paris showroom and acts as agent for Moschino collections.

The company also manages one single-brand Moschino stores in Paris.

Bloody Mary

Bloody Mary, company based in New York and 100% owned by Moschino S.p.A..

Moschino USA

Moschino USA, company founded in 2014 with base in New York and 100% owned by Moschino S.p.A., directly manage one single-brand Moschino store in New York.

Moschino Asia Pacific

Moschino Asia Pacific, company founded in 2021 with base in Hong Kong and 100% owned by Moschino S.p.A., develops commercial services for Asian countries.

Moschino Shanghai

Moschino Shanghai based in Shanghai, is a company 100% owned by Moschino Asia Pacific Ltd., and directly manages numerous stores in China.

Moschino Kids

Moschino Kids, located in Padernello di Paese (TV), is a 70% subsidiary of Moschino Spa, operates in the children's clothing sector, and produces and distributes, as a licensee, Moschino brand products.

Footwear and leather goods Division

The footwear and leather goods Division, which is composed of Pollini and its subsidiaries, mainly handles the design, production and distribution of footwear, small leather goods, bags and matching accessories made from exclusive materials.

The operating activity is mainly carried out by Pollini, which directly handles the design, production and distribution of own-label products, as well as the production and distribution of brands licensed by Group companies.

The footwear and leather goods division also manages licensing agreements granted to other companies to manufacture "Pollini"" products such as umbrellas, scarves and ties.

Pollini

Pollini was established in 1953 in the shoemaking district of San Mauro Pascoli, following in the Italian tradition of handmade leather goods and shoes. Italy is a leading producer of footwear: due to expertise required to make these products, nearly all production sites are located in areas with a long-standing shoemaking tradition, such as San Mauro Pascoli, Vigevano and Strà (PD). The company's philosophy is focused on promoting Pollini in other countries as an amalgam of traditional quality and Italian style, offering a range of products that include shoes, bags and matching accessories.

Between 1957 and 1961, Pollini produced the footwear collections of the designer Bruno Magli.

In the 1960s and early 1970s, Pollini began making shoes under its own label, presenting "themed" collections (such as the "Daytona" sports footwear collection, inspired by the world of motorbike racing).

In the 1970s, Pollini rose to international fame: at that point, its collections were shown in Düsseldorf, Paris and New York, as well as in Milan and Bologna. Around the same time, the first stores opened in Milan, Verona, Varese and Venice.

In 1989, Pollini moved into its new office in Gatteo, in the Italian province of Forlì-Cesena. The new site measures 50,000 sq. m., just over a third of it indoor, with a production workshop and seven-storey building housing the showroom and offices. The new site brought the footwear and leather goods divisions and sales and administration offices under one roof.

In 2001, Aeffe and Pollini reached an agreement whereby Aeffe would acquire a controlling stake in Pollini. The acquisition was a natural progression of the increasingly concentrated partnership between the two companies, enabling the growth of the footwear and leather goods lines designed by Alberta Ferretti.

Always in 2008, Pollini entered into new license agreements with Drops S.r.l., for the manufacturing of umbrellas, as well as Larioseta S.p.A., for the manufacturing and distribution of neckwear, including women's shawls, women's and men's scarves and ties.

In 2011 Aeffe S.p.A. has acquired the remaining 28% shareholding of Pollini S.p.A., becoming the sole shareholder.

Pollini Retail

Pollini Retail is active in the retail segment of the Italian market and directly manages 20 stores, between boutiques and outlets, in major Italian cities such as Milan and Rome.

Pollini Suisse

Pollini Suisse directly manages the single-brand Pollini store in Mendrisio, Switzerland.

Pollini Austria

Pollini Austria directly manages two stores in Pandorf, one of which is a mono-brand that sells the Pollini lines and one that sells clothing and accessories for the Group's brands.

3. TREND OF THE GROUP MANAGEMENT

CONSOLIDATED INCOME STATEMENT

(Values in units of EUR)	Full Year 2022	% on revenues	Full Year 2021	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**352,005,965**	**100.0%**	**324,592,143**	**100.0%**	**27,413,822**	**8.4%**
Other revenues and income	11,565,686	3.3%	8,521,078	2.6%	3,044,608	35.7%
TOTAL REVENUES	**363,571,651**	**103.3%**	**333,113,221**	**102.6%**	**30,458,430**	**9.1%**
Changes in inventory	24,644,721	7.0%	(17,639,882)	(5.4%)	42,284,603	(239.7%)
Costs of raw materials, cons. and goods for resale	(159,819,614)	(45.4%)	(114,385,792)	(35.2%)	(45,433,822)	39.7%
Costs of services	(110,818,790)	(31.5%)	(93,182,942)	(28.7%)	(17,635,848)	18.9%
Costs for use of third parties assets	(5,681,291)	(1.6%)	(5,729,826)	(1.8%)	48,535	(0.8%)
Labour costs	(69,862,250)	(19.8%)	(63,136,252)	(19.5%)	(6,725,998)	10.7%
Other operating expenses	(6,478,084)	(1.8%)	(3,693,579)	(1.1%)	(2,784,505)	75.4%
Total Operating Costs	(328,015,308)	(93.2%)	(297,768,273)	(91.7%)	(30,247,035)	10.2%
GROSS OPERATING MARGIN (EBITDA)	**35,556,343**	**10.1%**	**35,344,948**	**10.9%**	**211,395**	**0.6%**
Amortisation of intangible fixed assets	(4,217,596)	(1.2%)	(4,018,582)	(1.2%)	(199,014)	5.0%
Depreciation of tangible fixed assets	(4,983,990)	(1.4%)	(4,814,328)	(1.5%)	(169,662)	3.5%
Depreciation of right-of-use assets	(22,487,481)	(6.4%)	(16,188,015)	(5.0%)	(6,299,466)	38.9%
Revaluations/(write-downs) and provisions	(2,647,170)	(0.8%)	(1,155,131)	(0.4%)	(1,492,039)	129.2%
Total Amortisation, write-downs and provisions	(34,336,237)	(9.8%)	(26,176,056)	(8.1%)	(8,160,181)	31.2%
NET OPERATING PROFIT / LOSS (EBIT)	**1,220,106**	**0.3%**	**9,168,892**	**2.8%**	**(7,948,786)**	**(86.7%)**
Financial income	322,068	0.1%	665,668	0.2%	(343,600)	(51.6%)
Financial expenses	(3,129,780)	(0.9%)	(1,535,290)	(0.5%)	(1,594,490)	103.9%
Financial expenses on right-of-use asset	(2,208,272)	(0.6%)	(1,980,778)	(0.6%)	(227,494)	11.5%
Total Financial Income / (expenses)	(5,015,984)	(1.4%)	(2,850,400)	(0.9%)	(2,165,584)	76.0%
PROFIT / LOSS BEFORE TAXES	**(3,795,878)**	**(1.1%)**	**6,318,492**	**1.9%**	**(10,114,370)**	**(160.1%)**
Taxes	(5,260,142)	(1.5%)	5,807,514	1.8%	(11,067,656)	(190.6%)
NET PROFIT / LOSS*	**(9,056,020)**	**(2.6%)**	**12,126,006**	**3.7%**	**(21,182,026)**	**(174.7%)**
Minority interests	12,052	0.0%	-	0.0%	12,052	#DIV/0!
NET PROFIT / LOSS FOR THE GROUP	**(9,043,968)**	**(2.6%)**	**12,126,006**	**3.7%**	**(21,169,974)**	**(174.6%)**

Sales

In 2022 consolidated revenues amount to EUR 352,006 thousand compared to EUR 324,592 thousand of the year 2021, showing an increase of 8.4% (+7.7% at constant exchange rates).

Revenues of the prêt-à-porter division amount to EUR 231,791 thousand with an increase of 5.3% at current exchange rates (+4.2% at constant exchange rates) compared to 2021. The revenues of the footwear and leather goods division increase by 16.9% to EUR 163,560 thousand.

Sales by brand

(Values in thousands of EUR)	Full Year 2022	%	Full Year 2021	%	Change Δ	%
Alberta Ferretti	21,218	6.0%	16,951	5.2%	4,267	25.2%
Philosophy	16,282	4.6%	15,760	4.9%	522	3.3%
Moschino	273,304	77.6%	258,418	79.6%	14,886	5.8%
Pollini	36,803	10.5%	31,186	9.6%	5,617	18.0%
Other	4,399	1.3%	2,277	0.7%	2,122	93.2%
Total	**352,006**	**100.0%**	**324,592**	**100.0%**	**27,414**	**8.4%**

In 2022, the Alberta Ferretti brand increases by 25.2% (+23.7% at constant exchange rates), contributing to 6.0% of consolidated sales, while Philosophy di Lorenzo Serafini brand increases by 3.3% (+2.1% at constant exchange rates), contributing to 4.6% of consolidated sales.

In the same period Moschino brand increases by 5.8% (+5.0% at constant exchange rates), contributing to 77.6% of consolidated sales.

Pollini brand records an increase of 18.0% (+17.8% at constant exchange rates), generating 10.5% of consolidated sales, while brands under license increases by 93.2% (+90.6% at constant exchange rates), equal to 1.3% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2022	%	2021	%	Δ	%
Italy	144,569	41.1%	132,138	40.7%	12,431	9.4%
Europe (Italy excluded)	117,826	33.4%	105,535	32.5%	12,291	11.6%
Asia and Rest of the World	65,038	18.5%	65,368	20.1%	(330)	(0.5%)
America	24,573	7.0%	21,551	6.7%	3,022	14.0%
Total	**352,006**	**100.0%**	**324,592**	**100.0%**	**27,414**	**8.4%**

Despite the complex scenario linked to the evolution of the conflict in Ukraine, in 2022 the Group recorded significant growth in all the markets in which it operates with the exception of the Far East (where the Covid-19 emergency persisted), with significant increases in main reference markets of the Group, including Italy, Europe, and America.

Sales on the ITALY market, representing 41.1% of turnover, increased by 9.4% to EUR 144,569 thousand compared to 2021 thanks to a significant recovery achieved by the retail channel (+17.0% compared to 2021). The wholesale channel also recorded a 6.0% increase.

Sales in EUROPE, with an incidence on turnover of 33.4%, reported an increase of 11.6% to EUR 117,826 thousand compared to 2021, driven by the significant acceleration of the retail channel, which showed an increase of 59.3% compared to last year.

In ASIA and in the REST OF THE WORLD, the Group achieved revenues of EUR 65,038 thousand, with an incidence on turnover of 18.5%, down by 0.5% compared to 2021 (-1.3% at constant exchange rates). This decrease was mainly generated by the reorganization of the wholesale channel following the Group's takeover of the direct management of the Chinese market, without the associated potential benefits in terms of retail revenues due to the persistence of local restrictions due for the health emergency.

Sales in AMERICA, with an incidence on turnover of 7.0%, recorded growth of 14.0% (+5.6% at constant exchange rates) to EUR 24,573 thousand. The increase is directly attributable to the excellent result achieved by the wholesale channel (+34.1% year-on-year).

Sales by distribution channel

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2022	%	2021	%	Δ	%
Wholesale	248,588	70.6%	238,805	73.6%	9,783	4.1%
Retail	88,505	25.1%	72,164	22.2%	16,341	22.6%
Royalties	14,913	4.3%	13,623	4.2%	1,290	9.5%
Total	**352,006**	**100.0%**	**324,592**	**100.0%**	**27,414**	**8.4%**

In 2022, the Group recorded marked growth in particular in the RETAIL channel, reporting a progression of 22.6% compared to 2021 (+21.5% at constant exchange rates). In particular, the finalization of the direct distribution management project for Moschino in China with the opening of 23 retail boutiques, substantially changing the methods of selling and approaching the local market. The related benefits deriving from the project have only partially been recorded on Retail Revenues starting from the second half of 2022, despite restrictions adopted on site to contain the spread of Covid-19 infections.

Revenues of the WHOLESALE CHANNEL, which represents 70.6% of turnover (EUR 248,588 thousand), recorded growth of 4.1% (3.4% at constant exchange rates), despite the reorganisation of the Chinese market.

Revenues of the RETAIL CHANNEL (including directly operated stores and online channels) equal to 25.1% of Group sales (EUR 88,505 thousand), showed an increase of 22.6% compared to the previous year (+21.5% at constant exchange rates).

ROYALTIES INCOMES, which represent 4.2% of consolidated turnover (EUR 14,913 thousand), grew by 9.5% compared to 2021.

Labour costs

Labour costs change from EUR 63,136 thousand in 2021 to EUR 69,862 thousand in 2022, recording an increase of EUR 6,726 thousand, and an incidence on revenues which changes from 19.5% in 2021 to 19.8% in 2022.

The workforce increases from an average of 1,287 units in 2021 to 1,387 units in 2022.

Average number of employees by category	Full Year 2022	Full Year 2021	Change Δ	Change %
Workers	231	259	(28)	(10.8%)
Office staff-supervisors	1,127	998	129	12.9%
Executive and senior managers	29	30	(1)	(3.3%)
Total	**1,387**	**1,287**	**100**	**7.8%**

Gross Operating Margin (EBITDA)

In 2022 consolidated EBITDA is positive for EUR 35,556 thousand (with an incidence of 10.1% of consolidated sales), showing an increase of 0.6% compared to an EBITDA of EUR 35,345 thousand in 2021 (with an incidence of 10.9% of consolidated sales), despite the difficulties on the Chinese market related to the local health emergency which had a negative impact on the second half of both sales volumes and expected margins, contributing to an increase in both variable and fixed cost.

EBITDA of the *prêt-à-porter* division amounts to EUR 14,990 thousand (6.5% on sales), compared to an EBITDA of EUR 23,049 thousand in 2021 (10.5% on sales), with a decrease of EUR 8,059 thousand.

In 2022 EBITDA of the footwear and leather goods division is EUR 20,566 thousand (12.6% on sales), compared to an EBITDA of EUR 12,296 thousand in 2021 (8.8% on sales), with a EUR 8,270 thousand increase.

Net operating result (EBIT)

Consolidated EBIT is positive for EUR 1,220 thousand (0.3% on sales), recording a decrease of EUR 7,949 thousand, compared to EUR 9,169 thousand of 2021 (2.8% on sales), mainly due to the increase in the depreciation of assets for rights of use.

Result before taxes

The pre-tax result went from a profit of EUR 6,318 thousand in 2021 to a loss of EUR 3,796 thousand in 2022. The decrease in absolute value of EUR 10,114 thousand is due both to the decrease in the operating result and to the increase in financial expenses generated by the rise in interest rates and the increase in financial debt.

Net result

Net result posts a loss of EUR 9,056 thousand in 2022 compared to a profit of EUR 12,126 thousand in 2021, with a worsening in absolute value of EUR 21,182 thousand.

Compared to the net profit adjusted of 2021, net of extraordinary fiscal effects related to revaluations and realignments implemented in accordance with art. 110 of Law Decree 104/2020 ("August Decree"), the decrease would have been of EUR 11,627 thousand.

CONSOLIDATED BALANCE SHEET

(Values in units of EUR)	31 December 2022	31 December 2021
Trade receivables	62,850,576	50,034,112
Stock and inventories	116,709,745	91,406,571
Trade payables	(88,596,138)	(78,690,149)
Operating net working capital	**90,964,183**	**62,750,534**
Other short term receivables	33,118,597	32,513,758
Tax receivables	12,987,118	6,636,204
Derivative assets	-	-
Other short term liabilities	(19,497,967)	(17,582,148)
Tax payables	(4,385,845)	(4,447,875)
Derivative liabilities	(173,473)	(22,223)
Net working capital	**113,012,613**	**79,848,250**
Tangible fixed assets	61,250,620	58,770,962
Intangible fixed assets	66,021,140	68,866,417
Right-of-use assets	110,566,821	85,961,940
Equity investments	39,197	30,069
Other fixed assets	199,911	1,565,654
Fixed assets	**238,077,689**	**215,195,042**
Post employment benefits	(3,551,239)	(4,478,746)
Provisions	(2,371,370)	(1,758,142)
Long term not financial liabilities	(1,634,539)	(1,120,371)
Deferred tax assets	13,894,621	15,164,461
Deferred tax liabilities	(15,798,928)	(13,945,178)
NET CAPITAL INVESTED	**341,628,847**	**288,905,316**
Share capital	24,606,247	24,917,359
Other reserves	109,460,106	110,437,855
Profits / (Losses) carried-forward	(15,207,874)	(27,320,768)
Profits / (Loss) for the period	(9,043,968)	12,126,006
Group interest in shareholders' equity	**109,814,511**	**120,160,452**
Minority interests in shareholders' equity	(9,052)	-
Total shareholders' equity	**109,805,459**	**120,160,452**
Short term financial receivables	-	(2,913,650)
Cash	(21,657,539)	(31,306,566)
Long term financial liabilities	70,444,091	90,697,332
Short term financial liabilities	78,131,171	36,595,368
NET FINANCIAL POSITION WITHOUT IFRS 16 EFFECTS	**126,917,723**	**93,072,484**
Short term lease liabilities	16,072,913	13,320,667
Long term lease liabilities	88,832,752	62,351,713
NET FINANCIAL POSITION	**231,823,388**	**168,744,864**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**341,628,847**	**288,905,316**

NET INVESTED CAPITAL

Compared to December 31, 2021, net invested capital increased by 18.3%.

Net working capital

Net working capital amounts to EUR 113,012 thousand (32.1% on sales) compared with EUR 79,848 thousand at 31 December 2021 (24.6% on sales).

Changes in the main items included in the net working capital are described below:

- the operating net working capital increases in all by 45.0% (EUR 28,214 thousand) with an incidence on sales that changes from 19.3% in 2021 to 25.8% in 2022; the increase was affected by the finalization of the project for the direct management of Moschino distribution in China and in particular by the increase in inventories for EUR 17,832 thousand.
- the sum of other receivables and payables decreases in all of EUR 1,462 thousand compared with the previous year mainly for increase in accrued expenses and deferred income.
- the sum of tax receivables and tax payables increase in all of EUR 6,156 thousand. Such increase is mainly due to the higher VAT receivable.

Fixed assets

The change in fixed assets of EUR 22,883 thousand at December 31, 2022 compared to December 31, 2021, is mainly due to the increases in rights-of-use assets linked to new lease contracts relating to the opening or relocation of retail stores and the renewal of existing rental contracts, mainly in the Italian, European and Chinese markets.

NET FINANCIAL POSITION

The financial situation of the Group at 31 December 2022 shows a debt of EUR 231,823 thousand, including IFRS 16 effects, compared to the debt of EUR 168,745 thousand at 31 December 2021, with a worsening of EUR 63.078 thousand. The debt at 31 December 2022 relating to IFRS 16 amounts to EUR 104,906 thousand, of which EUR 16,073 thousand is current and EUR 88,833 thousand is non-current. Debt net of the IFRS 16 effect at the end of December 2022 amounts to EUR 126,918 thousand compared to the debt of EUR 93,072 thousand at the end of December 2021, recording a worsening of EUR 33,846 thousand.

With regard to financial debt, it should be noted that the Aeffe Group, in the last two years, has made two strategic investments of an extraordinary nature for a total consideration of EUR 90 million relating to the purchase of the minority shareholding of 30% of Moschino S.p.A. and the change of distribution in China on the Moschino brand.

SHAREHOLDERS' EQUITY

The shareholders' equity decreases by EUR 10,355 thousand from EUR 120,160 thousand as of 31 December 2021 to EUR 109,805 thousand as of 31 December 2022. The reasons for this decrease are mainly attributable to the loss for the year and the purchase of treasury shares. The number of shares is 107,362,504.

The following institutions hold more than 3% of the Aeffe's shares:

Main shareholders	%
Fratelli Ferretti Holding S.r.l.	61.797%
Other shareholders(*)	38.203%

(*) 8.325% of own shares held by Aeffe S.p.A.

RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE PERIOD OF THE PARENT COMPANY AND THE CORRISPONDING CONSOLIDATED AMOUNTS

Pursuant to the Consob Communication of 28 July 2006, the following table provides reconciliation between the net result and equity of Aeffe S.p.A. for the year ended 31 December 2022 and the comparable items on a consolidated basis (portion attributable to owners of Aeffe S.p.A.):

(Values in thousand of EUR)	Shareholders' equity at 31 December 2022	Net profit /loss for the full year 2022
Taken from the corporate financial statements of the parent company	**125,246**	**(5,335)**
Share of the consolidated subsidiaries's equity and profit /loss attributable to the Group, net of the carrying amount of equity interests	(36,292)	(483)
Effect of business combination reopening	30,587	(1,412)
Reversal of the intercompany inventory margin	(8,205)	(1,834)
Transition to parent company accounting policies	2,256	862
Other adjustments	(3,787)	(854)
Total consolidation adjustments	**(15,441)**	**(3,721)**
Group interest in shareholders' equity	**109,814**	**(9,044)**
Minority interest	**(9)**	**(12)**
Total shareholders' equity	**109,805**	**(9,056)**

4. RESEARCH & DEVELOPMENT ACTIVITIES

Considering the particular nature of the Group's products, research & development activities consist in the continual technical/stylistic renewal of models and the constant improvement of the materials employed in production. These costs are charged in full to the Income Statement.

5. GROUP'S OBJECTIVES AND POLICIES ON FINANCIAL RISKS

Regarding the Group's objectives and policies on financial risks refer to the information reported in the Notes.

6. CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

Aeffe S.p.A. has aligned its system of corporate governance with the recommendations of the Code of Self-Regulation for stock-market listed companies.

The Code of Self-Regulation is aimed at all companies with shares listed on the Mercato Telematico Azionario managed by Borsa Italiana and constitutes an organizational and functional reference model for companies listed on markets organized and managed by Borsa Italiana.

Alignment of the system of governance adopted by listed companies with the recommendations contained in the Code of Self-Regulation is not currently a legal requirement: adoption of the standards and organisational models proposed therein is therefore voluntary, and left to the discretion of the listed companies for which it is intended. Nevertheless, certain recommendations contained in the Code of Self-Regulation are reflected in current legislation and/or regulations including, more precisely, the Italian Civil Code, Decree 58 dated 24 February 1998 as subsequently amended (the "Consolidated Finance Law"), Consob Regulation 11971 dated 14 May 1999, as amended (the "Issuers' Regulations"), the Regulations for Markets Organised and Managed by Borsa Italiana (the "Market Regulations") and the Market Instructions relating specifically to companies with shares admitted to trading in the STAR segment.

Companies adopt the Code with prevalence of substance over form and apply its recommendations according to the "comply or explain" criterion.

As required by the regulations, Aeffe prepares yearly the "Report on corporate governance and ownership structures", stating: (i) which recommendations contained in the Code of Self-Regulation have actually been adopted by the Issuer and how, and (ii) which recommendations have not been adopted, in whole or in part, together with adequate information on the reasons for such partial or non-application of them. This report, which also provides information on the ownership structure, is available from the governance section of the following *website:* www.aeffe.com.

7. TREASURY SHARES

As of 31 December 2022, the Parent Company holds 8.937.519 treasury shares, par value EUR 0.25 each, totalling 8.325% of its share capital. During 2022, 1,244,452 treasury shares were purchased by the Parent Company for a total value of EUR 2,046,425.

As of 31 December 2022 the Parent Company does not hold shares of any controlling company either directly or indirectly.

8. TRANSACTIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

During the period, there were no transactions with related parties, including intragroup transactions, which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered.

Information on transactions with related parties, including specific disclosures required by the Consob Communication of 28 July 2006, is provided in Note "Related party transactions".

9. INFORMATION RELATIVE TO PERSONNEL AND ENVIRONMENT

Against a macroeconomic background marked by numerous challenges but with, on the bright side, the pandemic fading away, we managed to close 2022 with highly satisfactory results. This enables us to tackle the subject of sustainability in even greater detail, across all functions and in every activity.

As a European player, we recognize the urgent need to approach sustainability in a structured manner now that recently, even in our sector, it has become a strategic objective. This has been made clear at various official European and domestic conferences, including the EFA (European Fashion Alliance) Summit held in Maspalomas in June 2022, in which we participated via our sector representatives, led by the National Chamber of Italian Fashion and Altagamma.

One of the principal topics on the agenda was the EU Green Deal formulated in 2019 by Commission President Ursula von der Leyen, whose objectives include the reduction of greenhouse gas emissions, to which the fashion sector must also contribute. These objectives, which cannot be procrastinated any longer if we want to assure a future for the coming generations, are also confirmed by international research including, for example, that carried out by McKinsey (The State of Fashion 2022), which found that 43% of Gen Z prefers businesses with a sound reputation in terms of sustainability.

At corporate level, we have laid the foundations for the transition towards a more sustainable business model inspired by the 17 Sustainable Development Goals (SDGs) embodied in the UN 2030 Agenda. In practical terms, we began with the introduction of a Code of Ethics back in 2008, which guides business activity at all levels, and we maintain sound relations with the community via our participation in social initiatives. I am pleased to mention "Fashion Deserves the World" in this regard, an initiative promoted by the UN Refugee Agency (UNHCR) with support from the Pura Vida association (ULDB project). Other initiatives pursued in 2022 included an increase in clean energy production, following the installation by Pollini of a new photovoltaic system, and various product-related initiatives.

This said, commencing from 2023 we will introduce objectives for sustainability at a strategic level and then, based on priorities, target more specific goals in each area. We are already holding discussions with Re.Crea, consortium established and coordinated by the National Chamber of Italian Fashion, to identify the steps needed to reduce the production of waste or improve its reuse, analyze areas for improvement in the value chain, determine how best to manage end-of-life textile-clothing products and, of course, increase the use of eco-sustainable or regenerated materials in the production of our collections.

In other words, aware of our responsibilities towards all employees and the various communities with which our business interacts via the purchase of our products, we want to continue building an environment-focused culture and transform the impending challenges into an opportunity to make our processes and our collections even more attractive and environment friendly.

For further details, please refer to what is indicated in the 2022 Consolidated Non-Financial Document.

10. THE RUSSIAN INVASION OF UKRAINE

Weak global economic activity and high geopolitical uncertainty, mainly due to Russia's unjustified aggression against Ukraine and its population, continue to create conditions unfavorable to growth in the euro area. To mitigate this uncertainty, the Aeffe Group has reduced the incidence of sales on the Russian-Ukrainian market from 2.6% in 2021 to 2.0% in 2022.

11. SIGNIFICANT EVENTS OF THE PERIOD

On 28 April 2022, the Board of Directors of Aeffe S.p.A. approved the merger project by incorporation into Aeffe S.p.A. of the 100% subsidiary Velmar S.p.A..

This operation is part of a corporate rationalization and reorganization process aimed at greater efficiency in the management of the Group's activities and their coordination, through the reduction of decision-making levels and the rationalization of the synergies of the Group itself and the consequent saving of costs relating to the corporate, accounting, fiscal and administrative management of Velmar S.p.A.

On 28 June 2022, the Board of Directors approved the merger by incorporation into the Company of the 100% subsidiary Velmar S.p.A. Subsequently, on 20 December 2022, the deed of merger by incorporation into the company Aeffe S.p.A. was stipulated. of the 100% subsidiary Velmar S.p.A. registered in the Rimini business register on 28 December 2022 under protocol no. 85665/2022 of 23 December 2022. The accounting and tax effects of the merger have been backdated to 1 January 2022.

The merger deed is available to the public at the registered office, on the website www.aeffe.com and on the authorized storage website www.emarketstorage.com.

12. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 26 January 2023, as part of the corporate rationalization and reorganization process aimed at greater efficiency in the management of the Group's activities and their coordination, a process that began with the merger of the subsidiary Velmar S.p.A., the Executive Committee, which is studying the further actions to be taken forward, proposed to the Aeffe Board of Directors to evaluate and investigate a project aimed at simplifying and improving the management of the structure of the Group's Italian and foreign companies; in particular, the Executive Committee will have to evaluate the times, opportunities and ways of the possible merger into Aeffe S.p.A. of the Italian subsidiaries Moschino S.p.A., Aeffe Retail S.p.A., Pollini S.p.A., Pollini Retail S.p.A., as well as the rationalization and merger of the companies present in foreign territories (Moschino France, Aeffe France, Fashoff UK, Aeffe UK, Aeffe USA, Moschino USA) so that , for each foreign country, there is only one subsidiary.

As a result, the Board proceeded to confer a consequent mandate on the Executive Committee, to carry out the fulfilments necessary for the assessment of the timing of the aforementioned transactions and for the preparation of the necessary merger projects to be presented to the Board of Directors.

13. OUTLOOK

We positively evaluate 2022 results and we are particularly satisfied with the investments implemented, including the finalization of the Moschino direct distribution project in China, confident that the choices made will be reflected in a progression of both revenues and profitability in the medium term. With attention to the evolution of the market context and the related contingencies, the Group is still committed to strengthening the development plans of the proprietary brands both at a commercial level and in terms of optimization of the corporate and organizational structure.

Financial statements

CONSOLIDATED BALANCE SHEET ASSETS (*)

(Values in units of EUR)	Notes	31 December 2022	31 December 2021	Change
Trademarks		64,507,805	68,000,906	(3,493,101)
Other intangible fixed assets		1,513,335	865,511	647,824
Intangible fixed assets	(1)	66,021,140	68,866,417	(2,845,277)
Lands		17,123,494	17,123,494	-
Buildings		25,339,662	25,763,396	(423,734)
Leasehold improvements		11,208,330	8,600,124	2,608,206
Plant and machinary		3,564,074	3,971,601	(407,527)
Equipment		318,192	326,581	(8,389)
Other tangible fixed assets		3,696,868	2,985,766	711,102
Tangible fixed assets	(2)	61,250,620	58,770,962	2,479,658
Right-of-use assets	(3)	110,566,821	85,961,940	24,604,881
Equity investments	(4)	39,197	30,069	9,128
Other fixed assets	(5)	199,911	1,565,654	(1,365,743)
Deferred tax assets	(6)	13,894,621	15,164,461	(1,269,840)
NON-CURRENT ASSETS		**251,972,310**	**230,359,503**	**21,612,807**
Stocks and inventories	(7)	116,709,745	91,406,571	25,303,174
Trade receivables	(8)	62,850,576	50,034,112	12,816,464
Tax receivables	(9)	12,987,118	6,636,204	6,350,914
Derivate assets	(10)	-	-	-
Cash	(11)	21,657,539	31,306,566	(9,649,027)
Short term financial receivables	(12)	-	2,913,650	(2,913,650)
Other receivables	(13)	33,118,597	32,513,758	604,839
CURRENT ASSETS		**247,323,575**	**214,810,861**	**32,512,714**
TOTAL ASSETS		**499,295,885**	**445,170,364**	**54,125,521**
Share capital		24,606,247	24,917,359	(311,112)
Other reserves		109,460,106	110,437,855	(977,749)
Profits / (losses) carried-forward		(15,207,874)	(27,320,768)	12,112,894
Net profit / (loss) for the Group		(9,043,968)	12,126,006	(21,169,974)
Group interest in shareholders' equity		109,814,511	120,160,452	(10,345,941)
Minority interests in share capital and reserves		3,000	-	3,000
Net profit / (loss) for the minority interests		(12,052)	-	(12,052)
Minority interests in shareholders' equity		(9,052)	-	(9,052)
SHAREHOLDERS' EQUITY	**(14)**	**109,805,459**	**120,160,452**	**(10,354,993)**
Provisions	(15)	2,371,370	1,758,142	613,228
Deferred tax liabilities	(7)	15,798,928	13,945,178	1,853,750
Post employment benefits	(16)	3,551,239	4,478,746	(927,507)
Long term financial liabilities	(17)	159,276,843	153,049,045	6,227,798
Long term not financial liabilities	(18)	1,634,539	1,120,371	514,168
NON-CURRENT LIABILITIES		**182,632,919**	**174,351,482**	**8,281,437**
Trade payables	(19)	88,596,138	78,690,149	9,905,989
Tax payables	(20)	4,385,845	4,447,875	(62,030)
Derivate liabilities	(10)	173,473	22,223	151,250
Short term financial liabilities	(21)	94,204,084	49,916,035	44,288,049
Other liabilities	(22)	19,497,967	17,582,148	1,915,819
CURRENT LIABILITIES		**206,857,507**	**150,658,430**	**56,199,077**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**499,295,885**	**445,170,364**	**54,125,521**

(*) Pursuant to Consob Resolution N. 15519 of 27th July 2006, the effects of related party transactions on the Consolidated Balance Sheet are presented in the specific Balance Sheet schedule provided in the attachment I, and are further described in Note "Transactions with related parties".

CONSOLIDATED INCOME STATEMENT (*)

(Values in units of EUR)	Notes	Full Year 2022	%	Full Year 2021	%
REVENUES FROM SALES AND SERVICES	**(23)**	**352,005,965**	**100.0%**	**324,592,143**	**100.0%**
Other revenues and income	(24)	11,565,686	3.3%	8,521,078	2.6%
TOTAL REVENUES		**363,571,651**	**103.3%**	**333,113,221**	**102.6%**
Changes in inventory		24,644,721	7.0%	(17,639,882)	(5.4%)
Costs of raw materials, cons. and goods for resale	(25)	(159,819,614)	(45.4%)	(114,385,792)	(35.2%)
Costs of services	(26)	(110,818,790)	(31.5%)	(93,182,942)	(28.7%)
Costs for use of third parties assets	(27)	(5,681,291)	(1.6%)	(5,729,826)	(1.8%)
Labour costs	(28)	(69,862,250)	(19.8%)	(63,136,252)	(19.5%)
Other operating expenses	(29)	(6,478,084)	(1.8%)	(3,693,579)	(1.1%)
Amortisation, write-downs and provisions	(30)	(34,336,237)	(9.8%)	(26,176,056)	(8.1%)
Financial Income / (expenses)	(31)	(5,015,984)	(1.4%)	(2,850,400)	(0.9%)
PROFIT / LOSS BEFORE TAXES		**(3,795,878)**	**(1.1%)**	**6,318,492**	**1.9%**
Taxes	(32)	(5,260,142)	(1.5%)	5,807,514	1.8%
NET PROFIT / LOSS		**(9,056,020)**	**(2.6%)**	**12,126,006**	**3.7%**
Minority interests		12,052	0.0%	-	0.0%
NET PROFIT / LOSS FOR THE GROUP		**(9,043,968)**	**(2.6%)**	**12,126,006**	**3.7%**
Basic earnings per share	(33)	(0.092)		0.122	
Dilutive earnings per share	(33)	(0.092)		0.122	

(*) Pursuant to Consob Resolution N. 15519 of 27th July 2006, the effects of related party transactions on the Consolidated Income Statement are presented in the specific Income Statement schedule provided in the attachment II and are further described in Note "Transactions with related parties".

COMPREHENSIVE INCOME STATEMENT

(Values in units of EUR)	Full Year 2022	Full Year 2021
Profit/(loss) for the period (A)	**(9,056,020)**	**12,126,006**
Remeasurement of defined benefit plans	241,057	(122,370)
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss	-	-
Total other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1)	**241,057**	**(122,370)**
Gains/(losses) on cash flow hedges	(109,052)	235,608
Gains/(losses) on exchange differences on translating foreign operations	602,328	969,893
Income tax relating to components of Other Comprehensive income / (loss)	-	-
Total other comprehensive income that will be reclassified subsequently to profit or loss, net of tax (B2)	**493,276**	**1,205,501**
Totale Other comprehensive income, net of tax(B1)+(B2)=(B)	**734,333**	**1,083,131**
Total Comprehensive income / (loss) (A) + (B)	**(8,321,687)**	**13,209,137**
Total Comprehensive income / (loss) attributable to:	**(8,321,687)**	**13,209,137**
Owners of the parent	(8,309,635)	13,209,137
Non-controlling interests	(12,052)	-

CONSOLIDATED CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	Full Year 2022	Full Year 2021
Opening balance		**31,307**	**39,828**
Profit before taxes		(3,796)	6,318
Amortisation / write-downs		34,336	26,176
Accrual (+)/availment (-) of long term provisions and post employment benefits		(314)	(207)
Paid income taxes		(2,199)	(1,447)
Financial income (-) and financial charges (+)		5,016	2,850
Change in operating assets and liabilities		(34,584)	14,964
Cash flow (absorbed) / generated by operating activity	**(34)**	**(1,541)**	**48,654**
Increase (-)/ decrease (+) in intangible fixed assets		(1,372)	(396)
Increase (-)/ decrease (+) in tangible fixed assets		(7,465)	(1,927)
Increase (-)/ decrease (+) in right-of-use assets		(47,742)	(1,678)
Investments and write-downs (-)/ Disinvestments and revaluations (+)		(9)	102
Cash flow (absorbed) / generated by investing activity	**(35)**	**(56,588)**	**(3,899)**
Other variations in reserves and profits carried-forward of shareholders' equity		(1,299)	(70,722)
Dividends paid		-	-
Proceeds (+)/ repayments (-) of financial payments		21,283	32,005
Proceeds (+)/ repayment (-) of lease payments		29,233	(12,535)
Increase (-)/ decrease (+) in long term financial receivables		4,279	826
Financial income (+) and financial charges (-)		(5,016)	(2,850)
Cash flow (absorbed) / generated by financing activity	**(36)**	**48,480**	**(53,276)**
Closing balance		**21,658**	**31,307**

(*) Pursuant to Consob Resolution N. 15519 of 27th July 2006, the effects of related party transactions on the Consolidated Cash Flow are presented in the specific Cash Flow schedule provided in the attachment III and are further described in Note “Transactions with related parties ”.

STATEMENTS OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(Values in thousands of EUR)	Share capital	Share premium reserve	Cash flow reserve	Other reserves	Fair Value reserve	IAS reserve	Remeasurement of defined benefit plans reserve	Translation reserve	Profits/(losses) carried-forward	Net profit / loss for the Group	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
At December 31, 2020	**25,044**	**70,144**	**(252)**	**49,756**	**7,901**	**7,607**	**(1,343)**	**(2,502)**	**13,274**	**(21,397)**	**148,232**	**30,524**	**178,756**
Allocation of 2020 profit/(loss)	-	-	-	(21,028)	-	-	-	-	(369)	21,397	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	(127)	(810)	-	-	-	-	-	-	-	-	(937)	-	(937)
Total comprehensive income/(loss) of 2021	-	-	236	-	-	-	(123)	970	-	12,126	13,209	-	13,209
Other changes	-	-	-	(118)	-	-	-	-	(40,226)	-	(40,344)	(30,524)	(70,868)
At December 31, 2021	**24,917**	**69,334**	**(16)**	**28,610**	**7,901**	**7,607**	**(1,466)**	**(1,532)**	**(27,321)**	**12,126**	**120,160**	**-**	**120,160**

(Values in thousands of EUR)	Share capital	Share premium reserve	Cash flow reserve	Other reserves	Fair Value reserve	IAS reserve	Remeasurement of defined benefit plans reserve	Translation reserve	Profits/(losses) carried-forward	Net profit / loss for the Group	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
At December 31, 2021	**24,917**	**69,334**	**(16)**	**28,610**	**7,901**	**7,607**	**(1,466)**	**(1,532)**	**(27,321)**	**12,126**	**120,160**		**120,160**
Allocation of 2021 profit/(loss)	-	-	-	(15,920)	-	-	-	-	28,046	(12,126)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	(311)	(1,735)	-	-	-	-	-	-	-	-	(2,046)	-	(2,046)
Total comprehensive income/(loss) of 2022	-	-	(109)	-	-	-	241	602	-	(9,044)	(8,310)	(12)	(8,322)
Other changes	-	-	-	-	-	-	-	-	10	-	10	3	13
At December 31, 2022	**24,606**	**67,599**	**(125)**	**12,690**	**7,901**	**7,607**	**(1,225)**	**(930)**	**735**	**(9,044)**	**109,814**	**(9)**	**109,805**

Ria
Grant Thornton

Independent auditors' report
pursuant to article 14 of Legislative Decree
n. 39 of January 27, 2010 and article 10
of EU Regulation n. 537/2014

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To the Shareholders of
Aeffe S.p.A.

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Aeffe Group (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Legislative Decree n.38 dated February 28, 2005.

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 the Group in accordance with the ethical and independence requirements applicable under Italian law to the audit of the financial statements. 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.

Evaluation of Trademarks Alberta Ferretti, Moschino e Pollini

Description of the Key matter	Audit procedures in response to the Key matter
The consolidated financial statements as at December 31, 2022 include among the non-current assets Alberta Ferretti, Moschino and Pollini's brands (hereinafter also the "trademarks") for a value of Euro 64.5 million, accounted as intangible assets with a finite useful utile, and systematically amortised straight-line basis over the estimated useful life period in 40 years. The accounting standard IAS 36 provides that the Trademarks are subjected to a verification of the recoverable value should indicators of possible loss in value occur. The Directors considered the rapid increase in interest rates recorded by the financial market, which in turn affected the discount rate to be used in calculating the value in use of an asset, an indicator of possible loss of brands value. The brands were therefore subjected to impairment tests to compare their recoverable values with their book values. In order to determine the recoverable value of the trademarks subject to impairment testing, management has applied the method of discounting royalties. This method consists of discounting to present value, over a period deemed to be reasonable, the royalty flows that the market would be willing to pay (or does pay) to the owner of an intangible asset to acquire a license to use it. Information is provided in the explanatory notes under Note 1 and in the section "Main estimates used by Management". Carrying out the impairment test involves complex assessments that require a high degree of subjective judgment. For these reasons, we have considered the valuation of Trademarks as a key aspect of the auditing activity.	The audit procedures carried out also with the involvement of experts from the Grant Thornton network comprised: – the analysis of the reasonableness of the depreciation criteria adopted; – an understanding of the process applied in preparing the impairment test on brands; – an understanding of the process involved in preparing of the Aeffe Group's 2023 economic budget, approved by the Company's Board of Directors on 26 January 2023, from which the cash flow is deduced, at the base of the impairment tests; – an understanding of the estimates made by Company's Board of Directors with respect to the expected cash flows for the years 2024-2026, which are at the basis of the impairment tests; – an understanding of the calculation of royalties; – the analysis of the reasonableness of the estimates used to determine the recoverable value of the Trademarks and any impairment losses; – the examination of the sensitivity analysis with reference to the key assumptions used for the impairment tests including the interest rate and the perpetual growth rate applied; – the examination of the appropriateness of the information provided by the Directors in the explanatory notes in relation to the brands and the impairment tests.

Evaluation of inventory

Description of the Key matter	Audit procedures in response to the Key matter
The consolidated financial statement as at December 31, 2022 include among current assets inventories of Euro 116,7 million, net of obsolete allowance amounting to Euro 20,4 million. The determination of the allowance for inventory write-downs represents a complex accounting estimate that requires a high degree of judgment as it is influenced by multiple factors, including: – the characteristics of the sector in which the Company operates; – the seasonality of sales; – the pricing policies adopted and the disposal capacity of the sales channels. For these reasons, we considered the valuation of inventories to be a key aspect of the audit. The information is reported in the explanatory notes under note 8 and in the paragraph “Estimation criteria”.	The audit procedures performed included: – an understanding of the business processes, the related IT environment and the relevant controls adopted by the directors in order to determine the valuation of inventories and the implementation of controls and procedures to evaluate the operational effectiveness of the controls deemed relevant; – an analysis of changes in inventories during the year, considering the expected life cycle of inventories based on their age, and an analysis of the historical trend of sales and profitability by season; – verification, by means of documentary analysis and discussion with the company departments involved, of the methodology adopted for the purposes of determining the allowance for inventory obsolescence, aimed at understanding the assumptions underlying the expected dynamics of the disposal of goods; – verification of the completeness and accuracy of the database used by the directors to calculate the allowance for inventory obsolescence, as well as verification of the mathematical accuracy of the calculation; – examination of the appropriateness of the information provided by the directors in the notes to the financial statements regarding inventories.

Responsibilities of the Directors and 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 the International Financial Reporting Standards adopted by the European Union, and the requirements of national regulations issued pursuant to art. 9 of Legislative Decree no. 38/05 and, within the the terms established by law, for such internal control as the Directors 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 appropriateness of the use of the going concern assumption, as well as for adequate disclosure in this regard.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the parent company Aeffe S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established 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 Standard 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, could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standard on Auditng (ISA Italia), we have exercised professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.;
- Obtain 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;
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of management's 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;
- 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;
- 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 have communicated with those charged with governance, as properly identified in accordance with ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also have provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine 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 describe these matters in our auditor's report.

Other information communicated pursuant to article 10 of EU Regulation n.537/14

The Shareholders' Meeting of Aeffe S.p.A. has appointed as on April 16, 2016 as auditors of the Company for the years from December 31, 2016 to December 31, 2024.

We declare that we have not provide prohibited non-audit service, referred to article 5, par.1, of EU Regulation 537/2014, and that we have remained independent of the Company in conducting the 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 role of Audit Committee, referred to in article 11 of the EU Regulation 537/2014.

Report on other legal and regulatory requirements

Opinion on compliance with the provisions of Delegated Regulation (EU) 2019/815

The Directors of Aeffe S.p.A. are responsible for the application of the provisions of Delegated Regulation (EU) 2019/815 of the European Commission on regulatory technical standards relating to the specification of the single electronic communication format (ESEF - European Single Electronic Format, hereinafter "Delegated Regulation") to the consolidated financial statements as at December 31,2022, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation

In our opinion, the consolidated financial statements as at December 31, 2022 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provision of the Delegated Regulations.

Due to certain technical limitations, some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, par.2, subpar. e), of D.Lgs. 39/10 and of article 123-bis, par.4, of D.Lgs. 58/98

The Directors of Aeffe S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Aeffe Group. as at December 31, 2022, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, paragraph 4 of Legislative Decree n. 58/98, with the consolidated financial statements of Aeffe Group as at December 31, 2022 and on their compliance with the applicable law, as well as to make a statement about any material misstatements.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Aeffe Group as at December 31, 2022 and are prepared in accordance with the law.

With reference to the assessment pursuant to art.14, par.2, subpar. e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge, and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree n.254 of 30 December 2016

The Directors of Aeffe S.p.A. are responsible for the preparation of the consolidated non-financial statement pursuant to Legislative Decree n. 254 of 30 December 2016.

We verified that management approved the consolidated non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by another auditor.

Bologna, March 29, 2023

Ria Grant Thornton S.p.A.

Marco Bassi

Signed by

Marco Bassi

Partner

As disclosed by the Directors, the accompanying consolidated financial statements of Aeffe S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

EXPLANATORY NOTES

GENERAL INFORMATION

Aeffe Group operates worldwide in the luxury goods sector and is active in the design, production and distribution of products of high quality and stylistic uniqueness.

The Group develops, produces and distributes, with a constant focus on the qualities of uniqueness and exclusivity, its own collections both under its own-label brands, including "Alberta Ferretti", "Philosophy di Lorenzo Serafini", "Moschino" and "Pollini", and licensed brands.

The Group also has licensed to key partners the production and distribution of other accessories and products with which it supplements its product range (perfumes, children's lines, sunglasses and other).

The Group's business is divided, based on the various product lines and brands it sells, into two segments: prêt-a-porter (which includes prêt-a-porter, lingerie and swimwear) and footwear and leather goods.

The Parent Company Aeffe, an Italian legal entity incorporated as a public limited company (società per azioni) based in San Giovanni in Marignano (RN), is currently listed in the – Euronext STAR Milan Segment – of the EXM, the Italian Stock Exchange operated by Borsa Italiana.

Aeffe is controlled by the company Fratelli Ferretti Holding S.r.l., of which in the attachment IV are reported the data of the latest approved statutory financial statements. The company Fratelli Ferretti Holding also draws up the consolidated financial statement in accordance with the international accounting standards.

These consolidated financial statements include the financial statements of the Parent Company Aeffe and its subsidiaries and the Group's equity interests in affiliated companies. They consist of the balance sheet, income statement, comprehensive income statement, statement of changes in equity, cash flow statement and these notes.

The financial statements are expressed in euro, since this is the currency in which most of the Group's transactions are conducted. Foreign operations are included in the consolidated financial statements according to the principles stated in the notes that follow.

DECLARATION OF CONFORMITY AND REPORTING PRINCIPLES

Pursuant to art. 3 of Decree 38/2005 dated 28th February 2005, these financial statements have been prepared in accordance with International Accounting Standards (IAS/IFRS). The explanatory notes, also prepared in accordance with IAS/IFRS, have been supplemented by the additional information requested by CONSOB and by its instructions issued in accordance with art. 9 of Decree 38/2005 (resolutions 15519 and 15520 dated 27th July 2006 and communication DEM/6064293 dated 28th July 2006, pursuant to art. 114.5 of the Consolidated Finance Law), by art. 78 of the Issuers' Regulations, by the EC document issued in November 2003 and, where applicable, by the Italian Civil Code. Consistent with last year's annual report, some of the required information are presented in the Directors' Report (Report on operations).

Unless otherwise indicated in the measurement bases described below, these consolidated financial statements were prepared in accordance with the historic cost principle.

The measurement bases were applied uniformly by all Group companies.

CONSOLIDATION PRINCIPLES

The scope of consolidation at 31 December 2022 includes the financial statements of the Parent Company Aeffe and those of the Italian and foreign companies in which Aeffe holds control either directly or through its subsidiaries and associates or in which it exerts a dominant influence.

If necessary, adjustments were made to the financial statements of subsidiaries to bring their accounting polices into line with those adopted by the Group.

Companies are consolidated using the line-by-line method. The principles adopted for the application of this method are essentially as follows:

- the book value of equity investments held by the Parent Company or other consolidated companies is written-off against the corresponding net equity at 31 December 2022 in relation to assumption of the assets and liabilities of the subsidiaries;
- the difference between historical cost and fair value of the net equity of shareholdings on the acquisition date is allocated as much as possible to the assets and liabilities of the shareholdings. The remainder is allocated to goodwill. In accordance with the transitional provisions of IFRS 3, the Group, in case it was present, has ceased to depreciate goodwill, instead subjecting it to impairment tests;
- significant transactions between consolidated companies are written-off, as are receivables and payables and earnings not yet realised from third parties arising from transactions between Group companies, excluding any tax effect;
- minority interests in shareholders' equity and net profit are reported in the relevant items of the consolidated balance sheet and income statement;
- companies acquired during the period are consolidated from the date on which majority control was achieved.

Subsidiaries

Subsidiaries are enterprises controlled by the company. Control is the power 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 from the date on which the Group acquires control and until the date when such control ceases.

The acquisition of subsidiaries is accounted for using the historical method. Historical cost is determined by adding together the fair values of the assets contributed, the shares issued and the liabilities assumed on the acquisition date, plus the costs directly associated with the acquisition. Any surplus acquisition cost over the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognised as goodwill.

If the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate exceeds historical cost, the difference is immediately recorded in the income statement.

Intercompany balances, transactions, revenue and costs are eliminated in the consolidated statements.

Furthermore, intercompany business combinations are recognised by maintaining the same book value of assets and liabilities as previously recorded in the consolidated financial statements.

Associates

An associate is an enterprise in which the Group has significant influence, but has neither sole or joint control, by taking part in decisions regarding the company's financial and operating strategy.

Trading results and the assets and liabilities of associates are accounted for in the consolidated financial statements based on the equity method, except where they are classified as held for sale.

According to this method, equity interests in associates are recorded in the balance sheet at cost, adjusted to take account of changes following the acquisition of their net assets, excluding any loss in value of individual investments. Losses of associates that exceed the Group's percentage interest in them (including long-term receivables that essentially form part of the Group's net investment in the associate) are not recognised unless the Group has an obligation to cover them. The surplus acquisition cost over the parent's percentage share of the present value of the identifiable assets, liabilities and contingent liabilities of the associate on the acquisition date is recognised as goodwill. Goodwill is included in the carrying amount of the investment and is subjected to impairment tests. The historical cost deficit compared with the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of associates on the acquisition date is credited to the income statement in the year of acquisition. With reference to operations between a Group company and an associate, unrealised gains and losses are eliminated in equal measure to the Group's percentage interest in the associate, except for cases where the unrealised losses constitute evidence of impairment of the asset transferred.

SCOPE OF CONSOLIDATION

In accordance with Article 126 of Consob Regulation 11971 of 14 May 1999, as subsequently amended, a complete list of Group companies and significant investments at 31 December 2022 is provided in the following table.

Company	Location	Currency	Share capital	Direct interest	Indirect interest
Companies included in the scope of consolidation					
Italian companies					
Aeffe Retail S.p.A.	S.G. in Marignano (RN) Italy	EUR	8,585,150	100%	
Moschino S.p.A.	S.G. in Marignano (RN) Italy	EUR	66,817,108	100%	
Pollini S.p.A.	Gatteo (FC) Italy	EUR	6,000,000	100%	
Pollini Retail S.p.A.	Gatteo (FC) Italy	EUR	5,000,000		100% (i)
Moschino Kids S.r.l.	Padernello di Paese (TV) Italy	EUR	10,000	70%	
Foreign companies					
Aeffe France S.a.r.l.	Paris (FR)	EUR	50,000	100%	
Aeffe UK Ltd.	London (GB)	GBP	310,000	100%	
Aeffe USA Inc.	New York (USA)	USD	600,000	100%	
Aeffe Germany G.m.b.h.	Metzingen (DE)	EUR	25,000	100%	
Aeffe Spagna S.l.u.	Barcelona (E)	EUR	320,000	100%	
Aeffe Netherlands B.V.	Rotterdam (NL)	EUR	25,000	100%	
Pollini Suisse S.a.g.l.	Chiasso (CH)	CHF	20,000		100% (i)
Pollini Austria G.m.b.h.	Vienna (A)	EUR	35,000		100% (i)
Fashoff UK Ltd.	London (GB)	GBP	1,550,000		100% (ii)
Moschino Korea Ltd.	Seoul (ROK)	KRW	6,192,940,000		100% (ii)
Moschino France S.a.r.l.	Paris (FR)	EUR	50,000		100% (ii)
Moschino USA Inc.	New York (USA)	USD	10,000		100% (ii)
Bloody Mary Inc.	New York (USA)	USD	100,000		100% (ii)
Moschino Asia Pacific Ltd.	Hong Kong (HK)	HKD	500,000		100% (ii)
Moschino Shanghai Ltd	Shanghai (CN)	CNY	17,999,960		100% (iii)

Notes (details of in direct shareholdings):

(i) 100% owned by Pollini S.p.A.;

(ii) 100% owned by Moschino S.p.A.;

(iii) 100% owned by Moschino Asia Pacific.

The following transactions were completed during the period:

a) closure of Divè S.a.;

b) closure of Aeffe Japan Inc.;

c) closure of Moschio Japan Ltd.;

d) establishment of Aeffe Netherland B.V.;

e) establishment of Moschino Kids Srl.;

f) merger by incorporation of Velmar S.p.A. into Aeffe S.p.A..

FOREIGN CURRENCIES

Functional and reporting currency

The amounts in the financial statements of each Group enterprise are measured using the operating currency or the currency of the economic area in which the enterprise operates. These consolidated financial statements are presented in EUR, which is the operating and reporting currency of the parent company.

Foreign currency transactions

Foreign currency transactions are converted into the operating currency at the exchange rate in force on the transaction date. Cash assets and liabilities denominated in foreign currencies are converted at the exchange rate in force on the balance sheet date. Any exchange rate differences arising from the elimination of these transactions or from the conversion of cash assets and liabilities are posted to the income statement. Non-cash assets and liabilities in foreign currencies that are measured at fair value are converted at the exchange rates in force on the date on which the fair value was determined.

Financial statements of foreign companies

The financial statements of companies outside the EUR zone are translated into EUR based on the following procedures:

(i) assets and liabilities, including goodwill and fair value adjustments arising from consolidation are converted at the exchange rate in force on the balance sheet date;

(ii) revenue and costs are converted at the average rate for the period, which must be close to the exchange rate in force on the transaction date;

(iii) exchange rate differences are recognised in a separate account in shareholders' equity. When a foreign company is sold, the total amount of accumulated exchange rate differences relating to that company are recorded in the income statement.

The exchange rates used for the conversion into euro of the financial and equity statements of companies included in the scope of consolidation are listed in the following table:

Currency description	Actual exchange rate 31 December 2022	Average exchange rate 2022	Actual exchange rate 31 December 2021	Average exchange rate 2021
Hong Kong Dollars	8.3163	8.2451	8.8333	9.1932
Chinese Renminbi	7.3582	7.0788	7.1947	7.6282
United States Dollars	1.0666	1.0530	1.1326	1.1827
United Kingdom Pounds	0.8869	0.8528	0.8403	0.8596
Japanese Yen	140.6600	138.0274	130.3800	129.8767
South Korean Won	1,344.0900	1,358.0700	1,346.3800	1,354.0600
Swiss franc	0.9847	1.0047	1.0331	1.0811

FINANCIAL STATEMENT FORMATS

As part of the options available under IAS 1 for the presentation of its economic and financial position, the Group has elected to adopt a balance sheet format that distinguishes between current and non-current assets and liabilities, and an income statement that classifies costs by type of expenditure, since this is deemed to reflect more closely its business activities. The cash flow statement is presented using the "indirect" format.

With reference to Consob Resolution no. 15519 dated 27th July 2006 regarding the format of the financial statements, additional schedules have also been presented for the income statement, the balance sheet and the cash flow statement in order to identify any significant transactions with related parties. This has been done to avoid compromising the overall legibility of the main financial statements.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this consolidated financial statement are the same used as those used in the preparation of the consolidated financial statement as of December 31, 2021, except for the following interpretations and amendments to the accounting principles that have been mandatory since January 1, 2022.

Accounting standards, amendments and interpretations approved by the European Union, applicable from 1 January 2022:

- **amendments to IFRS 3 Business Combinations**, aimed at completing the update of the references to the Conceptual Framework for Financial Reporting present in the accounting standard, providing clarifications on the conditions for the recognition at the acquisition date of provisions, contingent liabilities and/or tax liabilities assumed in the context of a business combination transaction, as well as to clarify when the potential assets cannot be recognized in the context of a business combination;

- **amendments to IAS 16 Property, Plant and Equipment**, in order to clarify that revenues deriving from the sale of goods produced by a plant before it has entered commercial operation are recognized in the income statement together with the related production costs;

- **amendments to IAS 37 Priovisions, Contingent Liabilities and Contingent Assets**, in order to clarify the method for determining any onerousness of a contract;

- **annual Improvements 2018-2020**: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

The adoption of these amendments did not have any effects on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations published by the IASB but not yet approved by the European Union:

- **amendments to IFRS 17 "Insurance contracts"**: the new standard establishes the principles for the recognition, evaluation, presentation and disclosure of insurance contracts under the IAS / IFRS international accounting standards. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents such contracts. This information provides users of the financial statements with a basis for evaluating the effect that insurance contracts have on the financial position, financial results and cash flows of the entity. IFRS 17 was issued in May 2017 and applies to annual financial years starting on or after 1 January 2023;

- **amendments to IAS 1 "Presentation of Financial Statements"**: Classification of Liabilities as Current or Noncurrent". The document aims to clarify how to classify debts and other short-term or long-term liabilities. The changes come into force on 1 January 2023; however, early application is permitted;

- **amendments to IAS 12 "Income Taxes"**: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The document clarifies how deferred taxes must be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leasing and decommissioning obligations. The amendments will apply from 1 January 2023, but early application is permitted.

Intangible fixed assets

Intangible fixed assets are identifiable non-monetary assets, without physical substance, that are controlled by the company and able to generate future economic benefits for the Group. Intangible fixed assets are initially recorded at purchase cost (being their fair value in the case of business combinations), as represented by the acquisition price paid including any charges directly attributable to the preparatory or production phase, if the conditions are met for the capitalisation of costs incurred on the internal generation of assets. Following initial recognition, intangible fixed assets are carried at cost, net of accumulated amortisation and any impairment recorded in accordance with IAS 36 (*Impairment of Assets*). Subsequent expenditure on intangible fixed assets is capitalised only if it increases the future economic benefits embodied in the specific asset to which it relates. All other costs are charged to the income statement as incurred.

Of intangible fixed assets, a distinction can be made between: a) those with an "infinite" useful life, such as goodwill, which are not amortised but subjected to an annual impairment test (or whenever there is reason to believe that the asset may have been impaired) in accordance with IAS 36; b) those with a finite useful life or other intangible fixed assets, the valuation criteria for which are reported in the following paragraphs.

Goodwill

Goodwill arising from the acquisition of a subsidiary or joint venture represents the surplus acquisition cost over the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or joint venture on the acquisition date. Goodwill is recognised as an asset and reviewed annually to make sure that there is no impairment. Impairment losses are recognised in the income statement and are not restated.

In case of the disposal of a subsidiary or joint venture, the amount of goodwill not yet amortised is included in the calculation of the capital gain or loss on disposal.

If the net fair value of the identifiable assets, liabilities and contingent liabilities of the shareholding exceeds the acquisition cost, the difference is immediately recorded in the income statement.

When the acquisition contract allows the adjustment of the acquisition price based on future events, the estimated adjustment must be included in the acquisition cost if the adjustment seems probable and the amount can be reliably estimated. Any future adjustments to the estimate are recorded as a goodwill adjustment.

At 31 December 2022, the company has not recorded values related to goodwill in the financial statements.

Brands

Brands are recognised at cost and are amortised systematically on a straight-line basis during their estimated useful life (40 years) from when the asset is available for use. By applying IFRS 3, all business combinations since 31 December 2001 have been restated, with an indication, based on an independent estimate, of the new value of intangible fixed assets that were not reported when the shareholdings were acquired.

The Group has seen fit to give brands a finite life of 40 years in view of the policies adopted by other market operators. Prudently, it has adopted an extremely long – although not infinite and thus unidentifiable – useful life for its own brands (reflecting the prolonged benefits derived from these). This decision is in line with intangible fixed assets typical of the fashion industry, based on previous experience of other international operators in the sector (market comparables).

Other intangible fixed assets

This caption comprises the costs incurred to acquire software, which is amortised over a period not exceeding 3 years.

The principal amortisation rates applied are summarised below:

Category	%
Royalties from patents and intellectua property	33%
Brands	2.5%

Research costs are charged to the income statement as incurred.

At 31 December 2022, the company has not recorded intangible fixed assets with an “infinite” useful life in the financial statements.

Tangible fixed assets

Tangible fixed assets, stated net of accumulated depreciation, are recorded at purchase or production cost except for those assets which have been revalued in accordance with specific laws. Cost includes related charges and directly-attributable expenses.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using economic-technical rates that reflect the residual useful lives of each asset. Tangible fixed assets are written down in the event of permanent impairment, regardless of the depreciation already accumulated.

Ordinary maintenance expenses are charged in full to the income statement. Improvement expenditure is allocated to the fixed assets concerned and depreciated over their residual useful lives.

Construction in progress and advances to suppliers are recorded at the cost incurred, including directly-related charges.

As an exception to the general principle, the carrying amount of land and buildings has been adjusted to reflect the value determined by reference to an independent appraisal. This was performed to identify the separate value of land that was previously included in the "land and buildings" caption and consequently depreciated. The depreciation rates are applied on a straight-line basis over the new estimated useful lives of the buildings: 50 years (2%).

The depreciation rates applied are summarised below:

Category	%
Industrial buildings	2%
Plant and machinery	12,5%
Photovoltaic systems	9%
Industrial and commercial equipment	25%
Electronic machines	20%
Furniture and fixtures	20%
Motor vehicles	20%
Cars	25%

Land is not depreciated.

Leasehold improvements, including the costs of fitting and modernising directly-managed shops and all other property used for business purposes but not owned by the Group, are depreciated over the shorter of the duration of the lease, including any renewal periods, or their useful lives.

Improvement expenditure is added to the carrying amount of the assets concerned if the future economic benefits for the Group are likely to exceed those determined originally. Such expenditure is depreciated over the residual useful lives of the assets concerned. All other maintenance costs are charged to the income statement as incurred.

Leasing IFRS16

IFRS 16 was published in January 2016 and replaced IAS 17 Leasing, IFRIC 4, SIC-15 and SIC-27. IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases (contracts that give the right to use third party assets) and requires lessees to account for all leasing contracts in the financial statements on the basis of a single model similar to the one used to account for financial leases in accordance with IAS 17. The standard provides for two exemptions for the recognition by tenants - leasing contracts relating to activities of "low value / low value assets" (for example personal computers, copiers, ...) and short term / short term leasing contracts (for example contracts with expiration within 12 months or less). At the start date of the leasing contract, the lessee recognizes a liability against non-variable payments of the lease payments (i.e. the leasing liability) and an asset that represents the right to use the underlying asset for the duration of the contract (i.e. the right of use). Lessees must separately account for interest expenses on the leasing liability and the amortization of the right of use. Lessees will also need to remeasure the lease liability upon the occurrence of certain events (for example: a change in the conditions of the lease, a change in future payments of the lease following the change in an index or rate used to determine those payments). The lessee generally recognizes the amount of the remeasurement of the leasing liability as a correction of the right to use the asset. However, the standard does not provide for significant changes for landlords.

Determination of recoverable value (Impairment)

Under IAS 36, intangible and tangible fixed assets must be subjected to impairment testing if there is evidence (events, change of circumstances) to suggest a possible loss of value. The purpose of this is to ensure that assets are not recorded in the balance sheet at an amount that exceeds their recoverable value.

Brands and other intangible assets, together with tangible fixed assets, rights of use assets and other non-current assets, are subjected to a recoverable value check in the presence of indications of possible impairment.

An impairment loss occurs and is accounted for when the book value of an asset or cash-generating unit exceeds the recoverable value. The book value of the asset is adjusted to the recoverable value and the impairment loss is recognized in the income statement.

The recoverable value of these assets is the higher between their fair value, net of disposal costs, and their value in use. In order to determine value in use, the estimated future cash flows, including those deriving from the disposal of the asset at the end of its useful life, are discounted using a post-tax rate that reflects the current market assessment of the value of money and the risks associated with the Group's activities. If it is not possible to estimate an independent cash flow for a single asset, the minimum operating unit (cash generating unit) to which the asset belongs and to which it is possible to associate future independent cash flows is identified.

The increase in market interest rates, which during the year affected the discount rate used in calculating the value in use of an asset, reducing its recoverable value, is to be considered an extraordinary event which therefore it requires assessments in relation to the risk that the book values of the aforementioned assets may have suffered permanent losses in value.

To determine the recoverable value of the trademarks recorded in the financial statements, an estimate of the current value was made by discounting the hypothetical value of the royalties deriving from the transfer for use to third parties of these intangible assets, on the basis of which the cash flows are linked to the recognition of a percentage of royalties applied to the amount of revenues that the brand is able to generate, for a period of time equal to the residual useful life. The royalty rates used were the industry average (10%). For the 2022 valuation, the expected cash flows and revenues for the 2023 financial year derive from the 2023 Group Budget approved by the BoD on 26 January 2023 and for the 2024-2026 financial years from management estimates consistent with the expected development plans. The growth rate g used was 0%. The average cost of capital (WACC) of 8.40% was used as the discount rate (6.50% as at 31/12/2021).

Moreover, the Group has nevertheless conducted the usual sensitivity analyzes, required by IAS 36, in order to highlight the effects produced on the "value in use" by a reasonable change in the basic assumptions (WACC, growth rates).

From the analysis carried out, no impairment situations emerged as the net book value of the individual brands is within the range of values determined for the relative recoverable value.

Finally, the Group carried out an analysis aimed at assessing the recoverability of the right-of-use assets and of the intangible and tangible assets attributable to the individual directly operated stores (DOS) which highlighted impairment indicators linked to the increase in rates.

In particular, for the Cash Generating Units (CGU), the recoverable value, calculated as the greater of the fair value and the value in use of the relative Cash Generating Unit, was compared with the net carrying amount ("carrying amount"). For the 2022 valuation, the expected cash flows and revenues are based on the 2023 Group Budget approved by the Board of Directors on 26 January 2023 and for subsequent years, corresponding to the duration of the lease contracts, from management estimates consistent with the expected development plans.

The analysis carried out revealed a write-down for impairment of EUR 650 thousand relating to a shop which, in the current context, has experienced trigger events, highlighting, on the basis of the economic and financial forecasts formulated by the Management, the partial non-recoverability of the investments made.

Reinstatement of value

The value of financial assets recorded at amortised cost is reinstated when a subsequent increase in their recoverable value can, objectively, be attributed to an event that took place subsequent to recognition of the impairment loss.

The value of other non-financial assets is reinstated if the reasons for impairment no longer apply and the basis for determining their recoverable value has changed.

Write-backs are credited immediately to the income statement and the carrying amount of the asset concerned is adjusted to reflect its recoverable value. Recoverable value cannot exceed the carrying amount that would have been recognised, net of depreciation, had the value of the asset not been written down due to impairment in prior years.

The written down value of goodwill is never reinstated.

Equity investments

Equity investments in non-consolidated subsidiaries, associates and joint ventures are recognised according to the equity method. The surplus cost over shareholders' equity on the acquisition date is treated in the same way as described in the section on consolidation principles. Other equity investments are recognised using the cost method, which is reduced for impairment losses. The original value is restated in subsequent years if the reasons for the write-down no longer apply.

Assets held for sale

This item includes assets where the book value will be recovered mainly through sale rather than continuous use. For this to happen, the asset (or group) must be available for sale in its current condition, subject to standard conditions applicable to the sale of such assets (or groups), and the sale must be highly probable. An asset classified as held for sale is recognised at the lesser of its book value and fair value, excluding selling costs, as stipulated in IFRS 5.

Trade and other receivables

Receivables are stated at their estimated realisable value, being their nominal value less the allowance for collection losses on doubtful accounts. They are review regularly in terms of ageing and seasonality in order to avoid adjustments for unexpected losses. Non-current receivables that include an element of embedded interest are discounted using a suitable market rate. This caption also includes the accrued income and prepaid expenses recorded to match income and costs relating to more than one year in the accounting periods to which they relate.

Inventories

Inventories are recorded at purchase or production cost or, if lower, at their estimated net realisable value. Net realisable value is the estimated selling price under normal operating conditions, net of completion costs and all other selling-related expenses.

The cost of production of finished products includes the cost of raw materials, outsourced materials and processing, and all other direct and indirect manufacturing costs reasonably attributable to them, with the exclusion of financing costs.

Obsolete and slow-moving inventories are written down to reflect their likely use or realisability.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and all highly liquid investments with an original maturity of three months or less. Securities included in cash and cash equivalents are measured at their fair value.

Provisions

The provisions for risks and charges cover known or likely losses or charges, the timing and extent of which cannot be determined at period end. Provisions are recorded only when there is a legal or implicit obligation that, to be settled, requires the consumption of resources capable of generating economic benefits, and the amount concerned can be estimated reliably. If the effect is significant, provisions are calculated by discounting expected future cash flows using a pre-tax rate that reflects the current market assessment of the present value of money and the specific risks associated with the liability.

Employee benefits

Employee severance indemnities are covered by IAS 19 ("Employee Benefits") since they are deemed to be a form of defined benefit plan. Group contributions to defined benefit plans are charged to the income statement on an accruals basis.

The Group's net liability for defined benefit plans is determined on an actuarial basis, using the projected unit credit method. All actuarial gains and losses determined as of 1 January 2005, the IFRS transition date, have been recognised.

Financial payables

Financial payables, excepting derivates, are recorded at their fair value, after transactions costs directly attributable.

Bank overdrafts and loans

Loans are initially measured at cost, which approximates their fair value, net of any transaction-related expenses. Subsequently, they are measured at amortised cost. Any difference between cost and the redemption value is recorded in the income statement over the duration of the loan, using the effective interest method.

Loans are classified as current liabilities unless the Group has an unconditional right to defer their settlement for at least twelve months subsequent to the accounting reference date.

Trade and other payables

Payables are stated at the nominal value. The financial element embedded in non-current payables is separated using a market rate of interest.

Treasury shares

Treasury shares are presented as a deduction from capital for the part of their nominal value, and from a specific reserve for the part in excess to their nominal value.

Contributions to the capital account and for overheads

Any public contributions are reported when there is a reasonable certainty that the company will meet all the conditions foreseen to receive the contributions and actually receives them. The Group has opted to present any contributions to the capital account in the financial statement as items in adjustment of the book value of the property to which they refer, and any contributions to overhead as a direct deduction from the relative cost.

Derivative financial instruments

The fundamental characteristics of derivative financial instruments are set out in the paragraph Derivative financial instruments (Note 11). The Group uses derivative financial instruments to hedge the risks associated with currency exposure arising from its operations, without any speculative or trading purpose. Accounting for derivative transactions, since these refer to a risk linked to the variability of expected cash flows (forecast transaction), are performed in accordance with the cash flow hedge rules. The rules of hedge accounting require the recognition of derivatives at their fair value in the balance sheet;

the recording of changes in fair value differs depending on the type of hedge at the valuation date:

• for derivatives used to hedge expected transactions (ie cash flow hedges), changes in fair value are recognized directly in the specific shareholders' equity reserve, except for the portion of variation relating to the ineffective portion of the hedge that is allocated to the account economic, financial income and charges; the fair value differences already recognized directly in the specific equity reserve are fully charged to the income statement, adjusting the operating margins, at the time the assets / liabilities relating to the hedged items are recognized;

• for derivatives used to hedge assets and liabilities recognized in the financial statements (ie fair value hedges), the differences in fair value are recognized entirely in the income statement under financial income and expense. In addition, the value of the hedged item (assets / liabilities) is adjusted for the change in value attributable to the hedged risk, using financial income and expenses as a contra entry.

Revenue

Revenues from sales and services derive mainly from the sale of goods with the recognition of "at poin in time" revenues when the asset was transferred to the customer. This is provided for both the Wholesale distribution (shipment of goods to the customer, and for retail distribution when the asset is sold through a physical store. With regard to the export of goods, the control can be transferred in various stages depending on the type of product). Incoterm applied to the specific customer This premise leads to a limited judgment on the identification of the control passage of the asset and the consequent recognition of the revenue.

A part of the group's revenues derives from the recognition of the Roylalties, agreed, based on a predetermined percentage in the contract with the customer, on the net turnover. The royalties accrue "at point in time", therefore at the time of issue by the Licensee, of the invoices for the sale of the products granted.

Most of the Group's revenues derive from list prices that can vary depending on the type of product, brand and geographical region. Some contracts with the Group's Retail Companies provide for the transfer of control with the right of return. Being intra-group transactions they do not impact the consolidated financial statements as they are eliminated.

With regard to the recognition of Royalties, these are calculated based on a percentage of the Licensee's net sales. The percentage may vary depending on the type of product.

Costs

Costs and expenses are recognised on an accrual basis.

Design and production costs for sample collections incurred during the period are correlated to the turnover from sales of collection and are thus carried in the income statement in proportion to the revenue generated. The remaining portion to be carried in the income statement during the period in which the corresponding revenue is generated is posted to other current assets.

Financial income and expenses

These include all items of a financial nature written to the income statement for the period, including interest payable on financial debts calculated using the effective interest method (mainly current account overdrafts and medium and long-term loans), foreign currency gains and losses, dividends received, and the portion of interest payable deriving from the accounting treatment of assets under finance leases (IAS 17).

Interest income and expenses are reported in the income statement for the period in which they are realised/incurred.

Dividends are recognised in the period when the Group’s right to a dividend payment matures, subject to ratification.

The amount of interest payable on finance leases is booked to the income statement using the effective interest method.

Taxes

Income taxes for the period include all taxes calculated on taxable income. Income taxes for the period are recorded in the income statement.

Taxes other than income taxes, such as property tax, are reported under operating expenses or, if the necessary conditions are fulfilled, are capitalized in the related real estate.

Current taxes on income taxable in the period represent the tax burden calculated using current rates of taxation in force on the balance sheet date.

Deferred taxes are recognised for all temporary differences existing on the balance sheet date between the book value of assets and liabilities and the corresponding values used to determine taxable income for tax purposes.

Payables for deferred taxes relate to:

- positive components of income for the current period but taxable in future periods;
- negative components of income deductible in excess compared to the amount recorded in the income statement as a result of the application of the International Accounting Standards.

Receivables for deferred taxes are recognised:

- for all negative components of income non-deductible in the period under examination but that could be deducted in future periods;
- for the carryover of unused tax losses, if it is probable that taxable income, for which the tax loss may be used, will be generated.

Credits for deferred tax assets and debits for deferred tax liabilities are calculated based on the rates of taxation applicable to tax calculation on income in periods in which temporary differences are reversed, based on the rate of taxation and tax regulations in force on the balance sheet date.

The impact on these taxes of any change in rates of taxation is posted to the income statement in the period in which the change occurs.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding.

Main estimates used by the Management

Hereafter we report the main estimates and assumptions used by the Management to draft the consolidated financial statement, whose variations, not foreseeable at the moment, could affect the economic and equity situation of the Group.

- Estimates used to evaluate value impairment of assets other than financial assets

For the purposes of ascertaining any impairment of value of assets other than current assets entered in the financial statement, the company applied the method described above in the paragraph entitled “Impairment of value of assets”.

IFRS 16

The transition to IFRS 16 introduces some elements of professional judgment which involve the definition of some accounting policies and the use of assumptions. The main ones are summarized below:

- Lease term: the identification of the duration of the rental contract is a very relevant issue since the form, legislation and commercial practices on property rental contracts vary significantly from one jurisdiction to another and the assessment of the effects of the renewal options at the end of the non-cancellable period on the lease term estimate entails the use of assumptions. In fact, for the definition of the lease term, the Group considered the presence of renewal and cancellation options respectively for the lessee, the lessor or both. In the presence of renewal options exercisable by both contractual parties, it considered the existence or not of significant economic disincentives in refusing the renewal request as required by paragraph B34 of IFRS 16. In the presence of options exercisable only by one of the two parties considered paragraph B35 of IFRS 16. The application of the above, taking into account the specific facts and circumstances as well as the estimate that the option is reasonably certain, has meant that, for contracts with an annual duration renewable automatically unless canceled, an average duration of ten years was considered, basing this choice on historical evidence while in other cases if it is only the Group that can exercise the option, a duration was considered until the second renewal provided for in the contract, based on the historical evidence and the fact that renewal beyond the second period cannot be considered reasonably certain.
- Definition of the discount rate: since in most of the rental contracts stipulated by the Group, there is no implicit interest rate, the Group has calculated an incremental Borrowing Rate-IBR. In order to determine the IBR to be used for discounting future rent payments, the Group has identified each country as a portfolio of contracts with similar characteristics and has determined the relative IBR as the rate of a risk-free instrument of the respective country in which the contract was stipulated, based on the different contractual deadlines. The weighted average IBR applied during the transition was 2.22%, while the weighted average IBR as at 31/12/22 amounts to 2.36%.
- Activities by right of use: the Group detects activities by right of use on the lease start date (ie on the date on which the underlying asset is available for use). The right of use activities that fall under the definition of investments in real estate activities are classified in this balance sheet item. The assets by right of use are measured at cost, net of accumulated depreciation, of accumulated impairment losses and modified for any re-measurement of the leasing liability. The cost of the assets by right of use includes the initially recognized value of the leasing liability, initial direct costs incurred, the payments due for the leasing made on the date or before the effective date net of the leasing incentives received. Unless the Group is reasonably certain that it purchases the leased asset at the end of the lease contract, the assets by right of use are amortized linearly in the shorter period between the duration of the contract and the useful life of the leased asset. The value of the asset by right of use is subject to verification to detect any impairment. The value of the right-of-use asset includes the value of the key money which is amortized on a straight-line basis with the related right-of-use. The value of the Key money is subjected to impairment tests to detect any loss in value.
- Leasing liabilities: at the start date of the leasing contract, the Group recognizes the leasing liability measured as the present value of future residual payments until the end of the contract. Future payments include fixed payments, net of any leasing incentives to be received, variable payments that depend on an index or rate and the amounts that the Group is expected to pay as guarantees of the residual value. Future payments also include the exercise price of the purchase option, if the Group has reasonable certainty to exercise the option and the leasing termination penalty payments, if the Group has reasonable certainty to exercise the resolution option. . Variable payments, which do not depend on an index or rate, but which for the Group mainly depend on the volume of sales, continue to be recorded as costs in the income statement, among the costs for services. To calculate the present value of future payments, the Group uses the Incremental Borrowing rate (IBR) on the contract start date. Subsequently, the leasing liability is increased for interest and decreased for payments made. In addition, the leasing liability is remeasured to take into account changes to the terms of the contract.
- Short term leases and low value assets leases: the Group avails itself of the exemption from the application of IFRS 16 for short-term contracts (less than 12 months) and for contracts in which the individual leased asset is of small value . The payments of the fees of these contracts are accounted for

linearly as costs in the income statement, based on the terms and conditions of the contract.

- As of 2019, IFRS 16 requires the recognition of an asset for the right of use and a liability for the obligation to pay leasing installments in the financial statements. Any impairment of the asset for the right of use must be calculated and recognized in accordance with the provisions of IAS 36. The Key money (CGU) are subjected to impairment tests in the presence of triggering events (in to the individual asset for right of use) identified by a possible loss of value and reported by the following key performance indicators:

  - divestment plans;

  - performance indicators below expectations;

  - operational losses.

  The impairment test is carried out in the following ways:

  - calculation of the value in use of the CGUs excluding from cash flows those connected to the leasing liability;

  - calculation of the fair value of the CGU by discounting future rental rates at market value

  - calculation of the recoverable value as the greater of value in use and fair value

  - comparison of the recoverable value with the book value of the CGU, the latter calculated net of the book value of the leasing liability.

  In calculating the value in use, the discount rate used is the Group WACC.

Brands

In compliance with IAS 36, trademarks are subjected to a verification of the recoverable value in the presence of indications of possible loss in value.

The increase in rates is to be considered an extraordinary event that requires assessments in relation to the risk that the book values of brands may have suffered permanent losses in value.

To determine the recoverable value of the trademarks recorded in the financial statements, an estimate of the current value was made by discounting the hypothetical value of the royalties deriving from the transfer for use to third parties of these intangible assets, on the basis of which the cash flows are linked to the recognition of a percentage of royalties applied to the amount of revenues that the brand is able to generate, for a period of time equal to the residual useful life. The royalty rates used were the industry average (10%). For the 2022 valuation, the expected cash flows and revenues for the 2023 financial year derive from the 2023 Group Budget approved by the BoD on 26 January 2023 and for the 2024-2026 financial years from management estimates consistent with the expected development plans. The growth rate g used was 0%. The average cost of capital (WACC) of 8.40% was used as the discount rate (6.50% as at 31/12/2021).

- These estimates used for actuarial calculation serve to calculate the benefit plans in the sphere of future benefits of the working relationship:
- The inflation rate foreseen is 2.30%;
- The discount rate used is 3.63%;
- The annual rate in increase of the severance indemnity fund foreseen is 3.225%;
- The expected turn-over of employees is 6% for Aeffe S.p.A., 10% for Aeffe Retail S.p.A, 8% for Moschino S.p.A. and Pollini Retail and 5% for Pollini S.p.A..
- Estimates used in the actuarial calculations to determine the supplementary clientele severance indemnity fund:
- The voluntary turnover rate foreseen is 0.00%;
- The corporate turnover rate foreseen is 5.00% for all the Group's companies;
- The discount rate used is 3.63%.

OTHER INFORMATION

Segment information

Within a group, various segments are distinguishable providing a series of homogeneous products or services (business segment) or providing products and services in a specific geographical area (geographical segment). Specifically, in Aeffe Group, two areas of activity are identified:

(i) Prêt-a-porter Division;

(ii) Footwear and leather goods Division.

In accordance with IFRS 8, segment information can be found in the section entitled "Comments on the income statement and segment information".

Management of financial risk

The financial risks to which the Group is exposed in the performance of its business are as follows:

- risk of liquidity
- market risk (inclusive the currency risk, rate risk, price risk);
- credit risk;

Liquidity and market risk

Management of the financial needs and relative risks (mainly rate and exchange risks) is handled at the level of the central treasury on the basis of the guidelines established by the Managing Director of the Group and approved by the Chief Executive Officer.

The main goal of these guidelines consists of:

(i) **Liquidity risk**

The Group manages the liquidity risk with a view to guarantee, at the consolidated level, the presence of a liability structure in balance with the asset composition of the financial statement, in order to maintain an elevated solid equity.

The credit lines, though negotiated at the Group level, are granted to the individual companies.

As of the date of this financial statement, the companies in the Group with the main short and medium/long-term loans from banks are the parent company, Pollini and Moschino.

(ii) **Exchange risk:**

The Group operates internationally and is therefore exposed to the exchange risk. The exchange risk arises when assets and liabilities are reported in a currency other than that in which the company operates.

The mode of management of this risk consists of minimizing the risk connected with exchange rates by using for the main companies of the Group exposed to the exchange risk, the opening of loans in foreign currency and the subscription of forward foreign exchange contracts.

(iii) **Rate risk:**

The interest rate risk to which the companies in the Group are exposed originates mainly from the medium and long-term financial payables in existence, that are almost all at variable rates and expose the Group to the risk of variation in cash flows as the interest rates vary.

The average cost of indebtedness tends to be parametrized with the status of the EURIBOR rate at 3/6 months, plus a spread that depends mainly on the type of financial instrument used. In general, the margins applied are in line with the best market standards.

The cash flow risk on interest rates has never been managed in the past through the use of derivative contracts - interest rate swaps - which transform the variable rate into a fixed rate. As of December 31, 2022, there are no interest rate risk hedging instruments.

(iv) **Price risk**

The Group makes its purchases and sales worldwide and is therefore exposed to the normal risk of variations in price, typical of the sector.

Credit risk

With reference to receivables in Italy, the Group deals only with known and reliable clients. It is a policy of the Group that clients requesting extended payment terms are subject to procedures of audit of the class of merit. Moreover, the balance of receivables is monitored during the year to ensure that the doubtful positions are not significant.

The credit quality of unexpired financial assets and those that have not undergone value impairment can be valued with reference to the internal credit management procedure.

Customer monitoring activity consists mainly of a preliminary stage, in which we gather data and information about new clients, and a subsequent activation stage in which a credit is recognized and the development of the credit position is supervised.

The preliminary stage consists of collecting the administrative and fiscal data necessary to make a complete and correct assessment of the risks connected with the new client. Activation of the client is subject to the completeness of the data and approval, after any further clarification by the Customer Office.

Every new customer has a credit line: its concession is linked to further information (years in business, payment terms, customer's reputation) all of which are essential to make an evaluation of the level of solvency. After gathering this information, the documentation on the potential customer is submitted for approval by the company organizations.

Management of overdue receivable is differentiated depending on the seniority of the client (overdue payment group).

For overdue payments up to 60 days, reminders are sent through the branch or directly by the Customer Office; clearly, if an overdue payment exceeds 15 days or the amount of the credit granted, all further supplied to the client are suspended. For overdue credits "exceeding 90 days", where necessary, legal steps are taken.

As regards foreign receivables, the Group proceeds as follows:

a) Part of the foreign credits are guaranteed by primary credit insurance companies;
b) The residual uninsured part of the receivable is managed:
    a. Most of it by request of letter of credit and 30% advances within two weeks of the order confirmation;
    b. The residual receivables not covered by insurance, by letter of credit or by advances, are specifically authorized and managed as settled by the Italian receivable procedure.

The unexpired receivables, amounting to a total of EUR 48,529 thousand as of 31 December 2022, represent 77% of the receivables entered in the financial statements. This percentage increases compared to the 64% of the previous year.

This procedure serves to define the rules and operating mechanisms that guarantee a flow of payments sufficient to ensure the solvency of the client and guarantee the company an income from the relationship.

As of the reference date of the financial statement, the maximum credit risk exposure is equal to the value of each category of receivable indicated here below:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Trade receivables	62,851	50,034	12,817	25.6%
Other current receivables	33,119	32,514	605	1.9%
Other fixed assets	200	1,566	(1,366)	(87.2%)
Total	**96,170**	**84,114**	**12,056**	**14.3%**

See note 5 for the comment and breakdown of the item "other fixed assets" note 8 "trade receivables" and note 13 for "other current receivables".
The fair value of the above categories has not been indicated, as the book value is a reasonable approximation.
As of 31 December 2022, overdue but not written-down trade receivables amount to EUR 14,322 thousand (EUR 18,068 thousand in 2021). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
By 30 days	4,477	5,777	(1,300)	(22.5%)
31 - 60 days	2,668	4,697	(2,029)	(43.2%)
61 - 90 days	2,346	3,149	(803)	(25.5%)
Exceeding 90 days	4,831	4,445	386	8.7%
Total	**14,322**	**18,068**	**(3,746)**	**(20.7%)**

The change in the year is in line with the increase of trade receivables.

No significant risk of default with respect to such overdue receivables.

Cash flow statement

The cash flow statement presented by the Group in accordance with IAS 7 has been prepared using the indirect method. The cash and cash equivalents included in the cash flow statement represent the amounts reported in the balance sheet at the accounting reference date. Cash equivalents comprise short term and highly liquid applications of funds that can be readily converted into cash; the risk of changes in their value is minimal. Accordingly, a financial investment is usually classified as a cash equivalent if it matures rapidly, i.e. within three months or less of the acquisition date.

Bank overdrafts are generally part of financing activities, except when they are repayable on demand and are an integral part of the management of a company's cash and cash equivalents, in which case they are classified as a reduction of its cash equivalents.

Foreign currency cash flows have been translated using the average exchange rate for the year. Income and expenses deriving from interest, dividends received and income taxes are included in the cash flows from operating activities.

Under IAS 7, the cash flow statement must identify separately the cash flow deriving from operating, investing and financing activities:

- cash flow from operating activities: the cash flow deriving from operating activities mainly relates to income-generating activities and is presented by the Group using the indirect method; on this basis, net profit is adjusted for the effects of items that did not give rise to payments or cash inflows during the year (non-monetary transactions);

- cash flow from investing activities: investing activities are presented separately since, among other factors, they reflect the investment/disposals made in order to obtain future revenues and cash inflows;
- cash flow from financing activities: financing activities comprise the cash flows that modify the size and composition of shareholders' equity and financial payables.

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

1. Intangible fixed assets

The table below illustrates the breakdown and the changes of this item:

(Values in thousands of EUR)	**Brands**	**Other**	**Total**
Net book value as of 31.12.20	**71,494**	**995**	**72,489**
Increases	-	396	396
- increases externally acquired	-	*396*	*396*
- increases from business aggregations	-	-	-
Disposals	-	-	-
Translation differences and other variations	-	-	-
Amortisation	(3,493)	*(526)*	(4,019)
Net book value as of 31.12.21	**68,001**	**865**	**68,866**
Increases	-	1,362	1,362
- increases externally acquired	-	*1,362*	*1,362*
- increases from business aggregations	-	-	-
Disposals	-	19	19
Translation differences and other variations	-	(8)	(8)
Amortisation	(3,493)	(725)	(4,218)
Net book value as of 31.12.22	**64,508**	**1,513**	**66,021**

The intangible fixed assets highlight the following main variations:

- increases, equal to EUR 1,362 thousand, mainly related to software;
- amortisation of the period is EUR 4,218 thousand.

Brands

This item includes the Group's own-label brands ("Alberta Ferretti", "Moschino" and "Pollini"). A breakdown of brands is given below:

(Values in thousands of EUR)	Brand residual life	31 December 2022	31 December 2021
Alberta Ferretti	20	2,520	2,646
Moschino	22	36,060	37,987
Pollini	18	25,928	27,368
Total		**64,508**	**68,001**

Key money

At the same time as the application of IFRS 16 and to give a more truthful and correct representation, the amortization plan of the Key Money was modified, making them fall within the rights of use of assets as they represent the initial direct costs of the lessee. The change in estimate (Useful Life) was made prospectively resulting in an insignificant change.

Other

The item other mainly includes software licences.

2. *Tangible fixed assets*

The table below illustrates the breakdown and the changes of this item:

(Values in thousands of EUR)	Lands	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Total
Net book value as of 31.12.20	**17,123**	**26,730**	**10,202**	**3,810**	**351**	**3,442**	**61,658**
Increases	-	343	754	106	64	609	1,876
Disposals	-	-	-	-	-	(35)	(35)
Translation differences and other variations	-	(699)	74	699	-	12	86
Depreciation	-	(611)	(2,430)	(643)	(88)	(1,042)	(4,814)
Net book value as of 31.12.21	**17,123**	**25,763**	**8,600**	**3,972**	**327**	**2,986**	**58,771**
Increases	-	78	5,290	434	97	1,831	7,730
Disposals	-	256	(166)	(122)	(10)	(221)	(263)
Translation differences and other variations	-	-	(7)	-	-	4	(3)
Depreciation	-	(757)	(2,508)	(720)	(96)	(903)	(4,984)
Net book value as of 31.12.22	**17,123**	**25,340**	**11,209**	**3,564**	**318**	**3,697**	**61,251**

Tangible fixed assets have changed as follows:

- Increases for new investments of EUR 7,730 thousand. These mainly refer to leasehold improvements and to the purchase of plant and equipment and the purchase of electronic machines.
- Decreases, net of the accumulated depreciation, of EUR 263 thousand;
- Decrease for differences arising on translation and other variation of EUR 3 thousand.
- Depreciation of EUR 4,984 thousand charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category (see the accounting policies relating to tangible fixed assets for further details).

3. *Right-of-use assets*

The following table shows the movement of activities by right of use for the year ended 31 December 2022:

(Valori in migliaia di Euro)	Buildings	Car	Other	Total
Net book value as of 31.12.20	**99,521**	**248**	**703**	**100,472**
Increases	3,526	150	614	4,290
Disposals	(3,382)	-	-	(3,382)
Translation differences and other variations	770	-	-	770
Depreciation	(15,655)	(154)	(379)	(16,188)
Net book value as of 31.12.21	**84,780**	**244**	**938**	**85,962**
Increases	49,396	1,377	428	51,201
Disposals	(3,736)	-	(20)	(3,756)
Translation differences and other variations	(353)	-	-	(353)
Depreciation	(21,507)	(468)	(512)	(22,487)
Net book value as of 31.12.22	**108,580**	**1,153**	**834**	**110,567**

The item Buildings includes Activities by right of use relating mainly to shop rental contracts and to a residual extent relating to rental contracts for offices, and other spaces. The increases are linked to new lease agreements relating to the opening or relocation of retail stores and the renewal of existing lease agreements, mainly in the Italian, European and Chinese markets. The reclassification of intangible assets attributable to individual stores within the user activities, during the transition to 01/01/2019 was equal to EUR 23.6 million.

At 31 December 2022 this value amounted to EUR 12.7 million. During the year the Group has formalized an impairment test in the manner described previously in paragraph "IFRS 16". In particular, for the Cash Generating Units (CGU), the recoverable value was calculated as the greater of the fair value and use value of the related Cash Generating Unit with the carrying amount of its net invested capital ("carrying amount"). For the 2022 valuation, the expected cash flows and revenues are based on the 2023 Budget (approved by the Board of Directors) and on the management estimates for subsequent years, consistently with the duration of the rental contracts. The discount rate used for discounting cash flows is equal to the Group WACC (8.40%).

The analysis carried out revealed a write-down for impairment of Euro 650 thousand relating to a shop which, in the current context, has experienced trigger events, highlighting, on the basis of the economic and financial forecasts formulated by the Management, the partial non-recoverability of the investments made.

4. *Equity Investments*

This item includes shareholdings measured at the cost.

5. *Other fixed assets*

The item includes long-term receivables of a non-financial nature.

6. *Deferred tax assets and liabilities*

The table below illustrates the breakdown of this item at 31 December 2022 and at 31 December 2021:

(Values in thousands of EUR)	Receivables		Liabilities	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Tangible fixed assets	5	2	(17)	(17)
Intangible fixed assets	3	14	(144)	(144)
Provisions	3,997	5,146	(6)	(6)
Costs deductible in future periods	636	1,478	(17)	(18)
Income taxable in future periods	-	-	(138)	(192)
Tax losses carried forward	1,963	1,477	-	-
Other	3,555	2,603	(1,313)	(1,077)
Tax assets (liabilities) from transition to IAS	3,736	4,444	(14,164)	(12,491)
Total	**13,895**	**15,164**	**(15,799)**	**(13,945)**

Changes in temporary differences during the period are illustrated in the following table:

(Values in thousands of EUR)	Opening balance	Differences arising on translation	Recorded in the income statement	Other	Closing balance
Tangible fixed assets	(15)	-	3	-	(12)
Intangible fixed assets	(130)	-	(11)	-	(141)
Provisions	5,140	7	(1,156)	-	3,991
Costs deductible in future periods	1,460	2	(843)	-	619
Income taxable in future periods	(192)	-	54	-	(138)
Tax losses carried forward	1,477	(20)	3,723	(3,217)	1,963
Other	1,526	(2)	731	(13)	2,242
Tax assets (liabilities) from transition to IAS	(8,047)	12	(2,271)	(122)	(10,428)
Total	**1,219**	**(1)**	**230**	**(3,352)**	**(1,904)**

The decrease of EUR 3,352 thousand in the "Other" column essentially refers to the partial compensation of the payable for IRES for the year generated in Aeffe S.p.A. as a result of the subsidiaries joining the tax consolidation with the deferred tax credit accrued in some Group companies.

Deferred tax assets related to costs deductible in future periods mainly relate to the deferred taxation on provisions for doubtful investments and for risks and charges.

CURRENT ASSETS

7. Stocks and inventories

This item comprises:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Raw, ancillary and consumable materials	10,956	9,309	1,647	17.7%
Work in progress	7,169	6,668	501	7.5%
Finished products and goods for resale	98,569	75,393	23,176	30.7%
Advance payments	16	37	(21)	(56.8%)
Total	**116,710**	**91,407**	**25,303**	**27.7%**

Inventories of raw materials and work in progress mainly relate to the production of the Spring/Summer 2023 collections, while finished products mainly concern the Autumn/Winter 2022 and the Spring/Summer 2023 collections and the Autumn/Winter 2023 sample collections.

(Values in thousands of EUR)	31 December 2021	Increases	Decreases / Other changes	31 December 2022
Inventory write-down fund	(22,660)	(3,662)	5,930	(20,392)
Total	**(22,660)**	**(3,662)**	**5,930**	**(20,392)**

The value of inventories is already indicated net of the obsolescence provision equal to EUR 20,392 thousand. The obsolescence provision reflects the best estimate made by management on the basis of the breakdown by year and season of inventories, on the considerations derived from the past experience of sales through alternative channels and the future prospects of sales volumes.

8. *Trade receivables*

This item is illustrated in the following table:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Trade receivables	66,218	53,761	12,457	23.2%
(Allowance for doubtful account)	(3,367)	(3,727)	360	(9.7%)
Total	**62,851**	**50,034**	**12,817**	**25.6%**

Trade receivables amount to EUR 66,218 thousand at 31 December 2022, up 23.2% since 31 December 2021. Management considers that the fair value of amounts due from customers approximates their book value.

The allowance for doubtful accounts is determined by reference to a detailed analysis of the available information and, in general, is based on historical trends.

The following table shows the movements of the bad debt provision for the year:

(Values in thousands of EUR)	31 December 2021	Increases	Decreases	31 December 2022
(Allowance for doubtful account)	3,727	996	(1,356)	3,367
Totale	**3,727**	**996**	**(1,356)**	**3,367**

9. *Tax receivables*

This item is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
VAT	7,018	2,086	4,932	236.4%
Corporate income tax (IRES)	2,731	2,776	(45)	(1.6%)
Local business tax (IRAP)	699	452	247	54.6%
Amounts due to tax authority for withheld taxes	5	-	5	n.a.
Other tax receivables	2,534	1,322	1,212	91.7%
Total	**12,987**	**6,636**	**6,351**	**95.7%**

As of 31 December 2022, the Group's tax receivables amount to EUR 12,987 thousand. The variation of EUR 6,351 thousand compared with the value at 31 December 2021 is mainly due to the increase of VAT receivable and of the tax credit for research and development activities.

10. *Derivate assets and liabilities*

The AEFFE Group, characterized by an important presence in international markets, is exposed to exchange rate risk mainly for purchases by the subsidiary Pollini in US Dollars (USD). The Group signs forward currency derivative contracts (USD) at term (Forward) with primary credit institutions to cover the aforementioned risk. These contracts are set up to cover a specific percentage of expected purchase volumes in USD. At the balance sheet date, the notional amount of forward currency contracts stipulated is USD 25,500 thousand (USD 23,400 thousand at 31/12/2021). All contracts opened at 31/12/2022 will expire in 2023.

The composition of the derivative financial instruments in place at December 31, 2022 and December 31, 2021 is summarized below with an indication of the respective current and non-current accounting values referring to the fair value and fair value of the cash flow hedge reserve, this last shown net of the related deferred tax effect:

(Values in thousands of EUR)	31 December 2022			31 December 2021		
	Assets	Liabilities	Hedging Reserve	Assets	Liabilities	Hedging Reserve
Forward contracts for cash flow hedge exchange rate risk	-	-	-	-	-	-
TOTAL NON CURRENT	**-**	**-**	**-**	**-**	**-**	**-**
Forward contracts for cash flow hedge exchange rate risk	-	(173)	(125)	-	(349)	(252)
TOTAL CURRENT	**-**	**(173)**	**(125)**	**-**	**(349)**	**(252)**

The cash flow hedge reserve relating to forward contracts hedging the currency risk on currencies is negative for EUR 125 thousand net of the related tax effect (Euro +48 thousand).

The transfer to the 2022 income statement of the effect of the hedging transactions on exchange rate risk was equal to EUR 652 thousand brought to decrease costs.

11. Cash

This item includes:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Bank and post office deposits	21,131	30,674	(9,543)	(31.1%)
Cheques	27	30	(3)	(10.0%)
Cash in hand	500	603	(103)	(17.1%)
Total	**21,658**	**31,307**	**(9,649)**	**(30.8%)**

Bank and postal deposits represent the nominal value of the current account balances with credit institutions, including interest accrued on the balance sheet date. Cash in hand represents the nominal value of the cash held on the balance sheet date.

The decrease in cash and cash equivalents, recorded at 31 December 2022 compared with the amount recorded at 31 December 2021, is EUR 9,649 thousand. About the reason of this variation see the Cash Flow Statement.

12. Short term financial receivables

This item includes:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Financial receivables	-	2,914	(2,914)	(100.0%)
Total	**-**	**2,914**	**(2,914)**	**(100.0%)**

The item decreased due to the collection of the financial receivable from the subsidiary Aeffe USA.

13. Other receivables

This caption comprimes:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Credits for prepaid costs	27,559	26,249	1,310	5.0%
Advances for royalties and commissions	15	25	(10)	(40.0%)
Advances to suppliers	130	321	(191)	(59.5%)
Accrued income and prepaid expenses	1,716	2,395	(679)	(28.4%)
Other	3,699	3,524	175	5.0%
Total	**33,119**	**32,514**	**605**	**1.9%**

Other short term receivables increase compared with the previous period of EUR 605 thousand, mainly for increase of prepaid costs.

Credits for prepaid costs relate to the costs incurred to design and make samples for the Spring/Summer 2023 and Autumn/Winter 2023 collections for which the corresponding revenues from sales have not been realised yet.

14. Shareholders' equity

Described below are main categories of shareholders' equity at 31 December 2022, while the corresponding variations are described in the prospect of shareholders' equity.

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change
Share capital	24,606	24,917	(311)
Share premium reserve	67,599	69,334	(1,735)
Cash flow reserve	(125)	(16)	(109)
Other reserves	12,690	28,610	(15,920)
Fair value reserve	7,901	7,901	-
IAS reserve	7,607	7,607	-
Remeasurement of defined benefit plans reserve	(1,225)	(1,466)	241
Translation reserve	(930)	(1,532)	602
Profits / (losses) carried-forward	735	(27,321)	28,056
Net profit / (loss) for the Group	(9,044)	12,126	(21,170)
Minority interests	(9)	-	(9)
Total	**109,805**	**120,160**	**(10,355)**

Share capital

Share capital as of 31 December 2022, totally subscribed and paid, (gross of treasury shares) totals EUR 26,841 thousand, and is represented by 107,362,504 shares, par value EUR 0.25 each. At 31 December 2022 the Parent Company holds 8,937,519 treasury shares, representing the 8.325% of its share capital.

There are no shares with restricted voting rights, without voting rights or with preferential rights. During 2022, 1,244,452 treasury shares were purchased by the Parent Company for a total value of EUR 2,046,425.

Share premium reserve

The variation in the share premium reserve amounts to EUR 1,735 thousand and it is related to the purchase of treasury shares made during the year.

Cash flow reserve

For the change in the cash flow hedge reserve of EUR 109 thousand, please refer to note 10 of the assets and liabilities for derivatives.

Other reserves

The changes in these reserves reflect mainly the allocation of prior-year loss of the Parent Company.

Fair value reserve

The fair value reserve derives from the application of IAS 16 in order to measure the land and buildings owned by the Company at their fair value, as determined with reference to an independent appraisal.

IAS reserve

The IAS reserve, formed on the first-time adoption of IFRS, reflects the differences in value that emerged on the transition from ITA GAAP to IFRS. The differences reflected in this equity reserve are stated net of tax effect, as required by IFRS 1. Each difference is allocated on a pro rata basis to minority interests.

Remeasurement of defined benefit plans reserve

The remeasurement of defined benefit plans reserve, formed as a result of the application, from 1st January 2013 (retrospectively), of the amendment to IAS 19, changes of EUR 241 thousand compared to the value at 31 December 2021.

Translation reserve

The variation of EUR 602 thousand related to such reserve is mainly due to the conversion of companies' financial statements in other currency than EUR.

Profits/(losses) carried-forward

The item Profit/(Loss) previous years recorded a positive change mainly due to the result as at 31 December 2021.

Minority interests

The change in the minority shareholders' equity item is attributable to the new company Moschino Kids.

NON-CURRENT LIABILITIES

15. Provisions

Provisions are illustrated in the following statement:

(Values in thousands of EUR)	31 December 2021	Increases	Decreases	31 December 2022
Pensions and similar obligations	555	783	71	1,409
Other	1,203	-	(241)	962
Total	**1,758**	**783**	**(170)**	**2,371**

The additional client expenses reserve is determined based on an estimate of the liability relating to the severance of agency contracts, taking account of statutory provisions and any other relevant factor, such as statistical data, average duration of agency contracts and their rate of turnover. The item is calculated based on the actual value of the outflow necessary to extinguish the obligation.

The other provisions mainly relate to provisions for future charges and risks linked to organizational changes.

Potential tax liabilities for which no reserves have been established, since it is not considered probable that they will give rise to a liability for the Group, are described in the paragraph “Potential liabilities”.

16. Post employment benefits

The severance indemnities payable on a deferred basis to all employees of the Group are deemed to represent a defined benefits plan (IAS 19), since the employer's obligation does not cease on payment of the contributions due on the remuneration paid, but continue until termination of the employment relationship.

For plans of this type, the standard requires the amount accrued to be projected forward in order to determine the amount that will be paid on the termination of employment, based on an actuarial valuation that takes account of employee turnover, likely future pay increases and any other applicable factors. This methodology does not apply to those employees whose severance indemnities are paid into approved supplementary pension funds, which, in the circumstances, are deemed to represent defined contributions plans.

Changes in the provision are illustrated in the following statement:

(Values in thousands of EUR)	31 December 2021	Increases	Decreases / Other changes	31 December 2022
Post employment benefits	4,479	319	(1,247)	3,551
Total	**4,479**	**319**	**(1,247)**	**3,551**

Increases include the share of post employment benefits matured in the year and the related revaluation, while the entry decreases/other changes includes the decrease for the liquidation of the post employment benefits and the actuarial loss.

17. *Long-term financial liabilities*

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Loans from financial institutions	70,444	90,697	(20,253)	(22.3%)
Lease liabilities	88,833	62,352	26,481	42.5%
Total	**159,277**	**153,049**	**6,228**	**4.1%**

The entry "Loans from financial institutions" relates to the portion of bank loans due beyond 12 months. It is about unsecured loans and bank finance not assisted by any form of security and they are not subject to special clauses, except for the early repayment clauses normally envisaged in commercial practice. The only exception is a mortgage loan on the property located in Gatteo headquarters of the subsidiary Pollina S.p.A. of EUR 15,000 thousand.

Furthermore, there are no covenants to comply with specific financial terms or negative pledges.

Lease liabilities relate to the application of IFRS 16.

The following table contains details of bank loans as of 31 December 2022, including the current portion and the long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long term portion
Bank borrowings	89,577	19,133	70,444
Total	**89,577**	**19,133**	**70,444**

It should be noted that the amount due beyond five years amounts to EUR 5,859 thousand.

18. *Long-term not financial liabilities*

The item amounts to EUR 1,635 thousand as at 31 December 2022, up by Euro 514 thousand compared to the previous year, mainly due to the new multi-year deferral deriving from the contribution recognised by the landlord of the new boutique in via Spiga in Milan.

CURRENT LIABILITIES

19. *Trade payables*

Tax payables are analysed in comparison with the related balances as of 31 December 2021:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Trade payables	88,596	78,690	9,906	12.6%
Total	**88,596**	**78,690**	**9,906**	**12.6%**

Trade payables are due within 12 months and concern the debts for supplying goods and services.

20. *Tax payables*

Tax payables are analysed in comparison with the related balances as of 31 December 2021 in the following table:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Local business tax (IRAP)	161	634	(473)	(74.6%)
Corporate income tax (IRES)	71	341	(270)	(79.2%)
Amounts due to tax authority for withheld taxes	2,439	2,344	95	4.1%
VAT due to tax authority	871	428	443	103.5%
Other	844	701	143	20.4%
Total	**4,386**	**4,448**	**(62)**	**(1.4%)**

At December 31, 2022, the Group's payables to tax institutions amounted to EUR 4,386 thousand.

21. *Short term financial liabilities*

A breakdown of this item is given below:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Due to banks	78,131	36,595	41,536	113.5%
Lease liabilities	16,073	13,321	2,752	20.7%
Total	**94,204**	**49,916**	**44,288**	**88.7%**

Current bank debts include advances granted by credit institutions, current loans and the current portion of long-term financing commitments. Advances mainly consist of withdrawals from short-term credit facilities to finance the working capital requirement. Current loans (due within 12 months) are loans granted by banks to the Parent Company and to other Group companies.

Lease liabilities relate to the application of IFRS 16.

22. *Other liabilities*

Other current liabilities are analysed on a comparative basis in the following table:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Due to total security organization	3,628	3,307	321	9.7%
Due to employees	5,274	5,765	(491)	(8.5%)
Trade debtors - credit balances	2,957	2,721	236	8.7%
Accrued expenses and deferred income	3,702	2,227	1,475	66.2%
Other	3,937	3,584	353	9.8%
Total	**19,498**	**17,604**	**1,894**	**10.8%**

The other short term liabilities amount to EUR 19,498 thousand at 31 December 2022 and increase substantially for accrued expenses and deferred income.

SEGMENT INFORMATION REGARDING PROFIT OR LOSS, ASSETS AND LIABILITIES

In order to apply the IFRS 8 the Group has considered to delineate as operative sectors the same used by IAS 14 Segment reporting: *Prêt-à porter* Division and footwear and leather goods Division. Such decision has been taken because they represent business activities from which the entity may earn revenues and incur expenses, whose operating result are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Prêt-à porter Division is mainly represented by the companies Aeffe and Moschino, operating in the design, production and distribution of luxury prêt-à porter and lingerie, beachwear and loungewear collections.

In terms of prêt-à porter collections, the activity is carried out by Aeffe, both for the production of the Group's own-label brands ("Alberta Ferretti", "Philosophy di Lorenzo Serafini", "Moschino", "Boutique Moschino" and "Love Moschino") and brands licensed from other companies. Aeffe also handles the distribution of all Division products, which takes place via the retail channel through subsidiaries and via the wholesale channel.

Furthermore Aeffe manufactures and distributes lingerie and swimwear collections, and specifically men's/women's lingerie, underwear, beachwear and loungewear. Collections are produced and distributes under the Group's own-label brands such as "Moschino" and under third-party licensed brands.

The Prêt-a-porter Division also manages licensing agreements granted to other companies to manufacture Aeffe and Moschino branded product lines such as the "Moschino" brand licensing agreement relating to the *love* line, "Moschino" branded perfumes and sunglasses.

The footwear and leather goods Division, which is composed of Pollini and its subsidiaries, mainly handles the design, production and distribution of footwear, small leather goods, bags and matching accessories made from exclusive materials. The operating activity is mainly carried out by Pollini, which directly handles the design, production and distribution of own-label products, as well as the production and distribution of brands licensed by Group companies.

The footwear and leather goods division also manages licensing agreements granted to other companies to manufacture "Pollini" products such as umbrellas, foulards and ties.

The following table indicates the main economic data for the full year 2022 and 2021 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousands of EUR) 2022	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**231,791**	**163,560**	**(43,345)**	**352,006**
Intercompany revenues	(17,156)	(26,189)	43,345	-
Revenues with third parties	**214,635**	**137,371**	-	**352,006**
Gross operating margin (EBITDA)	**14,990**	**20,566**	-	**35,556**
Amortisation	(25,951)	(5,738)	-	(31,689)
Other non monetary items:				
Write-downs	(2,170)	(477)	-	(2,647)
Net operating profit / loss (EBIT)	**(13,131)**	**14,351**	-	**1,220**
Financial income	251	181	(110)	322
Financial expenses	(4,372)	(1,076)	110	(5,338)
Profit / loss before taxes	**(17,252)**	**13,456**	**-**	**(3,796)**
Income taxes	(1,557)	(3,703)	-	(5,260)
Net profit / loss	**(18,809)**	**9,753**	**-**	**(9,056)**

(Values in thousands of EUR) 2021	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**220,198**	**139,862**	**(35,468)**	**324,592**
Intercompany revenues	(14,495)	(20,973)	35,468	-
Revenues with third parties	**205,703**	**118,889**	-	**324,592**
Gross operating margin (EBITDA)	**23,049**	**12,296**	-	**35,345**
Amortisation	(20,363)	(4,658)	-	(25,021)
Other non monetary items:				
Write-downs	(946)	(209)	-	(1,155)
Net operating profit / loss (EBIT)	**1,740**	**7,429**	-	**9,169**
Financial income	256	482	(73)	665
Financial expenses	(2,819)	(770)	73	(3,516)
Profit / loss before taxes	**(823)**	**7,141**	**-**	**6,318**
Income taxes	5,494	314	-	5,808
Net profit / loss	**4,671**	**7,455**	**-**	**12,126**

The following tables indicate the main patrimonial and financial data at 31 December 2022 and 2021 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousands of EUR) 31 December 2022	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*360,176*	*154,968*	*(42,730)*	472,414
of which non-current assets (*)				
Intangible fixed assets	*39,996*	*26,025*	-	*66,021*
Tangible fixed assets	*53,524*	*7,727*	-	*61,251*
Right-of-use assets	*99,009*	*11,558*	-	*110,567*
Other non-current assets	*220*	*19*	-	*239*
OTHER ASSETS	*22,448*	*4,437*	-	26,885
CONSOLIDATED ASSETS	**382,624**	**159,405**	**(42,730)**	**499,299**
SECTOR LIABILITIES	320,179	91,856	(42,730)	369,305
OTHER LIABILITIES	*13,807*	*6,378*	-	20,185
CONSOLIDATED LIABILITIES	**333,986**	**98,234**	**(42,730)**	**389,490**

(*) Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts

(Values in thousands of EUR) 31 December 2021	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*328,272*	*129,668*	*(34,571)*	423,369
of which non-current assets (*)				
Intangible fixed assets	*41,449*	*27,417*	-	*68,866*
Tangible fixed assets	*51,054*	*7,717*	-	*58,771*
Right-of-use assets	*77,804*	*8,158*	-	*85,962*
Other non-current assets	*1,506*	*90*	-	*1,596*
OTHER ASSETS	*16,736*	*5,065*	-	21,801
CONSOLIDATED ASSETS	**345,008**	**134,733**	**(34,571)**	**445,170**
SECTOR LIABILITIES	264,134	77,054	(34,571)	306,617
OTHER LIABILITIES	*12,194*	*6,199*	-	18,393
CONSOLIDATED LIABILITIES	**276,328**	**83,253**	**(34,571)**	**325,010**

(*) Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts

Segment information by geographical area

The following table indicates the revenues for the full year 2022 and 2021 divided by geographical area:

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2022	%	2021	%	Δ	%
Italy	144,569	41.1%	132,138	40.7%	12,431	9.4%
Europe (Italy excluded)	117,826	33.4%	105,535	32.5%	12,291	11.6%
Asia and Rest of the World	65,038	18.5%	65,368	20.1%	(330)	(0.5%)
America	24,573	7.0%	21,551	6.7%	3,022	14.0%
Total	**352,006**	**100.0%**	**324,592**	**100.0%**	**27,414**	**8.4%**

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COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

23. Revenues from sales and services

Accounting Policy:

Revenues from sales and services derive mainly from the sale of goods with the recognition of "at poin in time" revenues when the asset was transferred to the customer. This is provided for both the Wholesale distribution (shipment of goods to the customer, and for retail distribution when the asset is sold through a physical store. With regard to the export of goods, the control can be transferred in various stages depending on the type of product). Incoterm applied to the specific customer This premise leads to a limited judgment on the identification of the control passage of the asset and the consequent recognition of the revenue.

A part of the group's revenues derives from the recognition of the Roylalties, agreed, based on a predetermined percentage in the contract with the customer, on the net turnover. The royalties accrue "at point in time", therefore at the time of issue by the Licensee, of the invoices for the sale of the products granted.

Determination of the transaction price:

Most of the Group's revenues derive from list prices that can vary depending on the type of product, brand and geographical region. Some contracts with the Group's Retail Companies provide for the transfer of control with the right of return. Being intra-group transactions they do not impact the consolidated financial statements as they are eliminated.

With regard to the recognition of Royalties, these are calculated based on a percentage of the Licensee's net sales. The percentage may vary depending on the type of product.

Breakdown of revenues from sales and services (IFRS 15)

(Values in thousands of EUR) Full Year 2022	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
Geographical area	**231,791**	**163,560**	**(43,345)**	**352,006**
Italy	100,157	80,039	(35,627)	144,569
Europe (Italy excluded)	57,524	62,391	(2,089)	117,826
Asia and Rest of the World	52,298	14,586	(1,846)	65,038
America	21,812	6,544	(3,783)	24,573
Brand	**231,791**	**163,560**	**(43,345)**	**352,006**
Alberta Ferretti	21,317	1,377	(1,476)	21,218
Philosophy	16,300	607	(625)	16,282
Moschino	189,842	124,211	(40,749)	273,304
Pollini	29	36,784	(10)	36,803
Other	4,303	581	(485)	4,399
Distribution channel	**231,791**	**163,560**	**(43,345)**	**352,006**
Wholesale	137,619	142,293	(31,324)	248,588
Retail	67,442	21,177	(114)	88,505
Royalties	26,730	90	(11,907)	14,913
Timing of goods and services transfer	**231,791**	**163,560**	**(43,345)**	**352,006**
POINT IN TIME (transfer of significant risks and benefits connected to the property of the asset)	205,061	163,470	(31,438)	337,093
POINT IN TIME (Royalties accrual on Licensee's turnover)	26,730	90	(11,907)	14,913

In 2022 consolidated revenues amount to EUR 352,006 thousand compared to EUR 342,592 thousand of the year 2021, showing an increase of 8.4% (+7.7% at constant exchange rates).

Revenues of the prêt-à-porter division amount to EUR 231,791 thousand with an increase of 5.3% at current exchange rates (+4.2% at constant exchange rates) compared to 2021. The revenues of the footwear and leather goods division increase by 16.9% to EUR 163,560 thousand.

24. Other revenues and income

This item comprises:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021	Change Δ	%
Other income	11,566	8,521	3,045	35.7%
Total	**11,566**	**8,521**	**3,045**	**35.7%**

The caption other income, that amounts to EUR 11,566 thousand in 2022, is mainly composed by recovery of receivables previously written off, Co-branding activities, revenues from previous years, exchange gains on commercial transaction, rental income, sales of raw materials and packaging.

25. Costs of raw materials

(Values in thousands of EUR)	Full Year 2022	Full Year 2021	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	159,820	114,386	45,434	39.7%
Total	**159,820**	**114,386**	**45,434**	**39.7%**

The entry purchase of raw materials increase of EUR 45,434 thousand.

This item mainly includes costs for the acquisition of raw materials such as fabrics, threads, skins and accessories, purchases of finished products for resale (products sold) and packaging.

26. Costs of services

This item comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2022	2021	Δ	%
Subcontracted work	25,873	21,516	4,357	20.3%
Consultancy fees	24,526	21,524	3,002	13.9%
Advertising	17,135	13,650	3,485	25.5%
Commission	10,924	10,275	649	6.3%
Transport	11,735	9,944	1,791	18.0%
Utilities	3,090	2,256	834	37.0%
Directors' and auditors' fees	3,555	3,738	(183)	(4.9%)
Insurance	875	776	99	12.8%
Bank charges	1,451	1,183	268	22.7%
Travelling expenses	1,672	766	906	118.3%
Other services	9,983	7,555	2,428	32.1%
Total	**110,819**	**93,183**	**17,636**	**18.9%**

The costs for services increase overall by 18.9% compared with the previous period, going from EUR 93,183 thousand in the year 2021 to EUR 110,819 thousand in the year 2022.

27. Costs for use of third parties assets

This item comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2022	2021	Δ	%
Rental expenses	3,567	4,314	(747)	(17.3%)
Royalties	1,095	649	446	68.7%
Hire charges and similar	1,019	767	252	32.9%
Total	**5,681**	**5,730**	**(49)**	**(0.9%)**

The costs for use of third parties assets decreases by EUR 49 thousand from EUR 5,730 thousand in 2021 to EUR 5,681 thousand in 2022.

28. Labour costs

Labour costs increase by EUR 6,726 thousand from EUR 63,136 thousand in 2021 to EUR 69,862 thousand in 2022, recording an incidence on revenues which changes from 19.5% in 2021 to 19.8% in 2022.

This item comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2022	2021	Δ	%
Labour costs	69,862	63,136	6,726	10.7%
Total	**69,862**	**63,136**	**6,726**	**10.7%**

In 2022 the average number of employees of the Group is:

Average number of employees by category	Full Year 2022	Full Year 2021	Change Δ	%
Workers	231	259	(28)	(10.8%)
Office staff-supervisors	1,127	998	129	12.9%
Executive and senior managers	29	30	(1)	(3.3%)
Total	**1,387**	**1,287**	**100**	**7.8%**

29. *Other operating expenses*

This item includes:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021	Change Δ	%
Taxes	1,115	1,007	108	10.7%
Gifts	281	320	(39)	(12.2%)
Contingent liabilities	465	87	378	434.5%
Write-down of current receivables	30	233	(203)	(87.1%)
Foreign exchange losses	3,854	1,355	2,499	184.4%
Other operating expenses	733	692	41	5.9%
Total	**6,478**	**3,694**	**2,784**	**75.4%**

The other operating costs item went from EUR 3,694 thousand in 2021 to EUR 6,478 thousand in 2022 with an increase of EUR 2,784 thousand, mainly due to an increase in foreign exchange losses.

30. *Amortisation, write-downs and provisons*

This item includes:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021	Change Δ	%
Amortisation of intangible fixed assets	4,218	4,019	199	5.0%
Depreciation of tangible fixed assets	4,984	4,814	170	3.5%
Depreciation of right-of-use assets	22,487	16,188	6,299	38.9%
Write-downs and provisions	2,647	1,155	1,492	129.2%
Total	**34,336**	**26,176**	**8,160**	**31.2%**

The item went from EUR 26,176 thousand in 2021 to EUR 34,336 thousand in 2022 mainly due to the increase in depreciation of assets for rights of use linked to new lease contracts relating to the opening or relocation of retail stores and the renewal of existing lease contracts, mainly in the Italian, European and Chinese markets.

31. *Financial income/expenses*

This item include:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2022	2021	Δ	%
Interest income	269	141	128	90.8%
Foreign exchange gains	(59)	448	(507)	n.a.
Financial discounts	112	77	35	45.5%
Financial income	**322**	**666**	**(344)**	**(51.7%)**
Bank interest expenses	1,815	375	1,440	384.0%
Other interest expenses	224	163	61	37.4%
Foreign exchange losses	369	281	88	31.3%
Other expenses	722	716	6	0.8%
Financial expenses	**3,130**	**1,535**	**1,595**	**103.9%**
Leasing interest expenses	2,208	1,981	227	11.5%
Leasing interest expenses	**2,208**	**1,981**	**227**	**11.5%**
Total	**5,016**	**2,850**	**2,166**	**76.0%**

The increase in the item financial income/expenses is EUR 2,166 thousand, mainly linked to the increase in interest expense generated by the rise in interest rates and the increase in financial debt.

32. Income taxes

This item includes:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2022	2021	Δ	%
Current income taxes	5,438	8,073	(2,635)	(32.6%)
Deferred income (expenses) taxes	(230)	(14,136)	13,906	(98.4%)
Taxes related to previous years	52	255	(203)	(79.6%)
Total taxes	**5,260**	**(5,808)**	**11,068**	**n.a.**

Details of deferred tax assets and liabilities and changes in this item are described in the paragraph on deferred tax assets and liabilities.

The reconciliation between actual and theoretical taxation for 2022 and 2021 is illustrated in the following table:

(Values in thousands of EUR)	Full Year	Full Year
	2022	2021
Profit / loss before taxes	(3,796)	6,318
Theoretical tax rate	24.0%	24.0%
Theoretical income taxes (IRES)	**(911)**	**1,516**
Fiscal effect	5,847	(8,647)
Effect of foreign tax rates	(723)	1,833
Total income taxes excluding IRAP (current and deferred)	**4,213**	**(5,298)**
IRAP (current and deferred)	**1,047**	**(510)**
Total income taxes (current and deferred)	**5,260**	**(5,808)**

This reconciliation of the theoretical and effective tax rates does not take account of IRAP, given that it does not use profit before taxes to calculate the taxable amount. Accordingly, the inclusion of IRAP in the reconciliation would generate distorting effects between years.

33. Result per share

Reference earning/(loss)

The calculation of basic and dilutive earning/(loss) per share is based on the following elements:

(Values in thousands of EUR)	Full Year	Full Year
From continuing and discontinued activities	2022	2021
From continuing activities		
Earning/(loss) for determining basic result per share	(9,044)	12,126
Earning/(loss) for determing result per share	**(9,044)**	**12,126**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(9,044)**	**12,126**
From continuing and discontinued activities		
Earning/(loss) for the period	(9,044)	12,126
Earning/(loss) from discontinued operations	-	-
Earning/(loss) for determining basic result per share	**(9,044)**	**12,126**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(9,044)**	**12,126**
Number of reference share		
Average number of shares for determing result per share	**98,425**	**99,669**
Share options	-	-
Average number of shares for determing diluted result per share	**98,425**	**99,669**

Basic earning/(loss) per share

Group net loss attributable to holders of ordinary shares of parent company AEFFE S.p.A., amounts to EUR 9,044 thousand compared to a profit of EUR 12,126 thousand in 2021.

Dilutive earning/(loss) per share

The calculation of diluted loss per share for the period January - December 2022, matches with the calculation of basic loss per share, as there are no tools with potential dilutive effects.

COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow absorbed during 2022 is EUR 9,649 thousand.

(Values in thousands of EUR)	Full Year 2022	Full Year 2021
Opening balance (A)	**31,307**	**39,828**
Cash flow (absorbed)/ generated by operating activity (B)	(1,541)	48,654
Cash flow (absorbed)/ generated by investing activity (C)	(56,588)	(3,899)
Cash flow (absorbed)/ generated by financing activity (D)	48,480	(53,276)
Increase (decrease) in cash flow (E)=(B)+(C)+(D)	**(9,649)**	**(8,521)**
Closing balance (F)=(A)+(E)	**21,658**	**31,307**

34. Cash flow (absorbed)/ generated by operating activity

The cash flow absorbed by operating activity during 2022 amounts to EUR 1,541 thousand.

The cash flow from operating activity is analysed below:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021
Profit before taxes	(3,796)	6,318
Amortisation / write-downs	34,336	26,176
Accrual (+)/availment (-) of long term provisions and post employment benefits	(314)	(207)
Paid income taxes	(2,199)	(1,447)
Financial income (-) and financial charges (+)	5,016	2,850
Change in operating assets and liabilities	(34,584)	14,964
Cash flow (absorbed) / generated by operating activity	**(1,541)**	**48,654**

35. Cash flow (absorbed)/ generated by investing activity

The cash flow absorbed by investing activity during 2022 amounts to EUR 56,588 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021
Increase (-)/ decrease (+) in intangible fixed assets	(1,372)	(396)
Increase (-)/ decrease (+) in tangible fixed assets	(7,465)	(1,927)
Increase (-)/ decrease (+) in right-of-use assets	(47,742)	(1,678)
Investments ans write-downs (-)/ Disinvestments and revaluations (+)	(9)	102
Cash flow (absorbed) / generated by investing activity	**(56,588)**	**(3,899)**

36. Cash flow (absorbed)/ generated by financing activity

The cash flow generated by financing activity during 2022 amounts to EUR 48,480 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021
Other variations in reserves and profits carried-forward of shareholders' equity	(1,299)	(70,722)
Dividends paid	-	-
Proceeds (+)/ repayments (-) of financial payments	21,283	32,005
Proceeds (+)/repayment (-) of leasing payments	29,233	(12,535)
Increase (-)/ decrease (+) in long term financial receivables	4,279	826
Financial income (+) and financial charges (-)	(5,016)	(2,850)
Cash flow (absorbed) / generated by financing activity	**48,480**	**(53,276)**

OTHER INFORMATION

37. Incentive plans

Regarding the long term incentive plans reserved to executive directors of Aeffe S.p.A., please refer to the indicated in the Report on remuneration available from the governance section of the following *website:* www.aeffe.com.

38. Statement of indebtedness

As required by ESMA guidance 32-382-1138 of March 4, 2021, in line with the "Warning no. 5/21 "of 29 April 2022 of Consob, it should be noted that the debt of the Aeffe Group at 31 December 2021 is as follows:

(Values in thousands of EUR)	31 December 2022	31 December 2021
A - Cash	21,658	31,306
B - Cash equivalents	-	2,914
C - Other current financial assets	-	-
D - Liquidity (A + B + C)	**21,658**	**34,220**
E - Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	58,998	27,403
F - Current portion of non-current financial debt	35,206	22,513
G - Current financial indebtedness (E + F)	**94,204**	**49,916**
H - Net current financial indebtedness (G - D)	**72,546**	**15,696**
I - Non-current financial debt (excluding current portion and debt instruments)	159,277	153,049
J - Debt instruments	-	-
K - Non-current trade and other payables	-	-
L - Non-current financial indebtedness (I + J + K)	**159,277**	**153,049**
M - Total financial indebtedness (H + L)	**231,823**	**168,745**

The financial situation of the Group at 31 December 2022 shows a debt of EUR 231,823 thousand, including IFRS 16 effects, compared to the debt of EUR 168,745 thousand at 31 December 2021, with a worsening of EUR 63.078 thousand. The debt at 31 December 2022 relating to IFRS 16 amounts to EUR 104,906 thousand, of which EUR 16,073 thousand is current and EUR 88,833 thousand is non-current. Debt net of the IFRS 16 effect at the end of December 2022 amounts to EUR 126,918 thousand compared to the debt of EUR 93,072 thousand at the end of December 2021, recording a worsening of EUR 33,846 thousand.

With regard to financial debt, it should be noted that the Aeffe Group, in the last two years, has made two strategic investments of an extraordinary nature for a total consideration of EUR 90 million relating to the purchase of the minority shareholding of 30% of Moschino S.p.A. and the change of distribution in China on the Moschino brand.

39. *Related party transactions*

Reciprocal transactions and balances between Group companies included within the scope of consolidation are eliminated from the consolidated financial statements and as such will not be described here. Operations carried out with related parties mainly concern the exchange of goods, the performance of services and the provision of financial resources. All transactions arise in the ordinary course of business and are settled on market terms i.e. on the terms that are or would be applied between two independent parties.

The Group's business dealing with other related parties are summarised below:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.a.			
Contract for the sale of artistic assets and design	1,000	1,000	Cost
Commerciale Valconca with Aeffe S.p.a.			
Commercial	141	207	Revenue
Property rental	50	50	Cost
Cost of services	75	75	Cost
Commercial	513	658	Receivable
Commercial	3	114	Payable
Ferrim with Aeffe S.p.a.			
Property rental	918	892	Cost
Aeffe USA with Ferrim USA			
Financial income	92	118	Financial income
Commercial	128	765	Receivable
Commercial	128	121	Payable
Current financial	-	2,914	Receivable

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet, cash flow and indebtedness as of 31 December 2022 and 31 December 2021.

(Values in thousands of EUR)	Balance Full Year	Value rel. party 2022	%	Balance Full Year	Value rel. party 2021	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	352,006	141	0.0%	324,592	207	0.1%
Costs of services	110,819	1,075	1.0%	93,183	1,075	1.2%
Costs for use of third party assets	5,681	968	17.0%	5,730	942	16.4%
Financial Income / expenses	5,016	92	1.8%	2,850	118	4.1%
Incidence of related party transactions on the balance sheet						
Trade receivables	62,851	641	1.0%	50,034	1,423	2.8%
Current financial receivables	-	-	0.0%	2,914	2,914	100.0%
Trade payables	88,596	131	0.1%	78,690	235	0.3%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activities	(1,541)	(1,130)	73.3%	48,654	(1,802)	n.a.
Cash flow (absorbed) / generated by financing activities	48,480	2,914	6.0%	(53,276)	(224)	0.4%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	(231,823)	1,784	n.a.	(168,745)	(2,026)	1.2%

40. *Atypical and/or unusual transactions*

Pursuant to Consob communication DEM/6064293 dated 28th July 2006, it is confirmed that in 2022 the Group did not enter into any atypical and/or unusual transactions, as defined in that communication.

41. *Significant non-recurring events and transactions pursuant to Consob regulation of 28th July 2006*

No non-recurring events or transactions were carried out in 2022.

42. *Guarantees and commitments*

As of 31 December 2022, the Group has given performance guarantees to third parties totaling EUR 4,640 thousand (EUR 7,123 thousand as of 31 December 2021).

43. *Contingent liabilities*

Fiscal disputes

In consideration of the fact that there are no significant tax disputes, no provision has been set aside.

44. *Information requested by art. 149-duodecies of the "Regolamento Emittenti" issued by Consob*

The following table, prepared in accordance with art. 149-duodecies of the "Regolamento Emittenti" issued by Consob, reports the amount of fees charged in 2022 for the audit and audit related services provided by the Audit Firm.

(Values in thousand of EUR)	Service provider	2022 fees
Audit	RIA GRANT THORNTON	178
Audit	BDO ITALIA	59
Audit	WARD DIVECHA	10
Audit	ARI AUDIT	4
Audit	GRANT THORNTON SHANGHAI	21
Audit	GRANT THORNTON HONG KONG	9
Audit	GRANT THORNTON ESPANA	3
Stock taking China certification	DELOITTE	46
R&D tax credit certification	RIA GRANT THORNTON	9
R&D tax credit certification	BDO ITALIA	9
Stamp of approval of VAT declaration	RIA GRANT THORNTON	2
Audit non-financial statement (DNF)	BDO ITALIA	50
Consolidated ESEF financial statements	BDO ITALIA	8
Total		**407**

ATTACHMENTS TO THE EXPLANATORY NOTES

ATTACHMENT I	Consolidated Balance Sheet with related parties.
ATTACHMENT II	Consolidated Income Statement with related parties.
ATTACHMENT III	Consolidated Cash Flow Statement with related parties.
ATTACHMENT IV	Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2021.

ATTACHMENT I

Consolidated Balance Sheet with related parties

Pursuant to Consob Resolution n. 15519 of 27 July 2006

(Values in units of EUR)	Notes	31 December 2022	of which Related parties	31 December 2021	of which Related parties
Trademarks		64,507,805		68,000,906	
Other intangible fixed assets		1,513,335		865,511	
Intangible fixed assets	(1)	66,021,140		68,866,417	
Lands		17,123,494		17,123,494	
Buildings		25,339,662		25,763,396	
Leasehold improvements		11,208,330		8,600,124	
Plant and machinary		3,564,074		3,971,601	
Equipment		318,192		326,581	
Other tangible fixed assets		3,696,868		2,985,766	
Tangible fixed assets	(2)	61,250,620		58,770,962	
Right-of-use assets	(3)	110,566,821		85,961,940	
Equity investments	(4)	39,197		30,069	
Other fixed assets	(5)	199,911		1,565,654	
Deferred tax assets	(6)	13,894,621		15,164,461	
NON-CURRENT ASSETS		**251,972,310**		**230,359,503**	
Stocks and inventories	(7)	116,709,745		91,406,571	
Trade receivables	(8)	62,850,576	640,464	50,034,112	1,423,980
Tax receivables	(9)	12,987,118		6,636,204	
Derivative assets	(10)	-		-	
Cash	(11)	21,657,539		31,306,566	
Short term financial receivables	(12)	-		2,913,650	2,913,650
Other receivables	(13)	33,118,597		32,513,758	
CURRENT ASSETS		**247,323,575**		**214,810,861**	
TOTAL ASSETS		**499,295,885**		**445,170,364**	
Share capital		24,606,247		24,917,359	
Other reserves		109,460,106		110,437,855	
Profits / (losses) carried-forward		(15,207,874)		(27,320,768)	
Net profit / (loss) for the Group		(9,043,968)		12,126,006	
Group interest in shareholders' equity		109,814,511		120,160,452	
Minority interests in share capital and reserves		3,000		-	
Net profit / (loss) for the minority interests		(12,052)		-	
Minority interests in shareholders' equity		(9,052)		-	
SHAREHOLDERS' EQUITY	**(14)**	**109,805,459**		**120,160,452**	
Provisions	(15)	2,371,370		1,758,142	
Deferred tax liabilities	(7)	15,798,928		13,945,178	
Post employment benefits	(16)	3,551,239		4,478,746	
Long term financial liabilities	(17)	159,276,843		153,049,045	
Long term not financial liabilities	(18)	1,634,539		1,120,371	
NON-CURRENT LIABILITIES		**182,632,919**		**174,351,482**	
Trade payables	(19)	88,596,138	131,362	78,690,149	235,119
Tax payables	(20)	4,385,845		4,447,875	
Derivative liabilities	(10)	173,473		22,223	
Short term financial liabilities	(21)	94,204,084		49,916,035	
Other liabilities	(22)	19,497,967		17,582,148	
CURRENT LIABILITIES		**206,857,507**		**150,658,430**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**499,295,885**		**445,170,364**	

ATTACHMENT II

Consolidated Income Statement with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in units of EUR)	Notes	Full Year 2022	of which Related parties	Full Year 2021	of which Related parties
REVENUES FROM SALES AND SERVICES	**(23)**	**352,005,965**	**141,146**	**324,592,143**	**206,570**
Other revenues and income	(24)	11,565,686		8,521,078	
TOTAL REVENUES		**363,571,651**		**333,113,221**	
Changes in inventory		24,644,721		(17,639,882)	
Costs of raw materials, cons. and goods for resale	(25)	(159,819,614)		(114,385,792)	
Costs of services	(26)	(110,818,790)	(1,075,383)	(93,182,942)	(1,075,330)
Costs for use of third parties assets	(27)	(5,681,291)	(968,000)	(5,729,826)	(942,000)
Labour costs	(28)	(69,862,250)		(63,136,252)	
Other operating expenses	(29)	(6,478,084)		(3,693,579)	
Amortisation, write-downs and provisions	(30)	(34,336,237)		(26,176,056)	
Financial Income / (expenses)	(31)	(5,015,984)	92,317	(2,850,400)	117,189
PROFIT / LOSS BEFORE TAXES		**(3,795,878)**		**6,318,492**	
Taxes	(32)	(5,260,142)		5,807,514	
NET PROFIT / LOSS		**(9,056,020)**		**12,126,006**	
(Profit) / loss attributable to minority shareholders		12,052		-	
NET PROFIT / LOSS FOR THE GROUP		**(9,043,968)**		**12,126,006**	

ATTACHMENT III

Consolidated Cash Flow Statement with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in thousands of EUR)	Notes	Full Year 2022	of which Related parties	Full Year 2021	of which Related parties
Opening balance		**31,307**		**39,828**	
Profit before taxes		(3,796)	(1,810)	6,318	(1,692)
Amortisation / write-downs		34,336		26,176	
Accrual (+)/availment (-) of long term provisions and post employment benefits		(314)		(207)	
Paid income taxes		(2,199)		(1,447)	
Financial income (-) and financial charges (+)		5,016		2,850	
Change in operating assets and liabilities		(34,584)	679	14,964	(110)
Cash flow (absorbed) / generated by operating activity	**(34)**	**(1,541)**		**48,654**	
Increase (-)/ decrease (+) in intangible fixed assets		(1,372)		(396)	
Increase (-)/ decrease (+) in tangible fixed assets		(7,465)		(1,927)	
Increase (-)/ decrease (+) in right-of-use assets (1)		(47,742)		(1,678)	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		(9)		102	
Cash flow (absorbed) / generated by investing activity	**(35)**	**(56,588)**		**(3,899)**	
Other variations in shareholders' equity		(1,299)		(70,722)	
Dividends paid		-		-	
Proceeds (+)/ repayments (-) of financial payments		21,283		32,005	
Proceeds (+)/ repayment (-) of lease payments (2)		29,233		(12,535)	
Increase (-)/ decrease (+) in long term financial receivables		4,279	2,914	826	(224)
Financial income (+) and financial charges (-)		(5,016)		(2,850)	
Cash flow (absorbed) / generated by financing activity	**(36)**	**48,480**		**(53,276)**	
Closing balance		**21,658**		**31,307**	

ATTACHMENT IV

Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2021

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2021	STATUTORY FINANCIAL STATEMENTS 2020
BALANCE SHEET		
Intangible fixed assets	63,333	71,599
Tangible fixed assets	1,427,949	1,610,526
Equity investments	54,543,586	54,741,025
Non current assets	**56,034,868**	**56,423,150**
Trade receivables	174,214	213,145
Tax receivables	1,195,733	1,165,820
Cash	266,148	30,921
Other receivables	2,959	3,134
Current assets	**1,639,054**	**1,413,020**
Total assets	**57,673,922**	**57,836,170**
Share capital	100,000	100,000
Share premium reserve	50,452,265	51,025,433
Other reserves	15,038	15,038
Profits / (losses) carried-forward	-	-
Net profit / loss	(167,534)	(573,169)
Shareholders' equity	**50,399,769**	**50,567,302**
Provisions	66,601	90,107
Long term financial liabilities	-	-
Non-current liabilities	**66,601**	**90,107**
Trade payables	7,207,552	7,178,761
Current liabilities	**7,207,552**	**7,178,761**
Total shareholders' equity and liabilities	**57,673,922**	**57,836,170**
INCOME STATEMENT		
Revenues from sales and services	**498,265**	**355,387**
Other revenues and income	4	-
Total revenues	**498,269**	**355,387**
Operating expenses	(440,359)	(448,887)
Costs for use of third parties assets	-	-
Amortisation and write-downs	(268,177)	(263,591)
Other operating expenses	(15,470)	(66,024)
Financial income / (expenses)	4,784	(313,642)
Profit / (loss) before taxes	**(220,953)**	**(736,757)**
Income taxes	53,419	163,588
Net profit / (loss)	**(167,534)**	**(573,169)**

Certification of the Consolidated Financial Statements pursuant to art.81-ter of Consob Regulation N. 11971 of 14 May 1999, as amended

The undersigned Simone Badioli as chief executive officer and Matteo Scarpellini as manager responsible for preparing Aeffe S.p.A.'s financial reports, pursuant to the provisions of art. 154 bis, clauses 3 and 4, of Legislative Decree n. 58 of 1998, hereby attest:

- the adequacy with respect to the Company structure and
- the effective application;

of the administrative and accounting procedures applied in the preparation of the consolidated financial statements at 31 December 2022.

The undersigned moreover attest that the consolidated financial statements:

1) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002;
2) correspond to the amounts shown in Company's accounts, books and records;
3) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

The report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

15 March 2023

Chief executive officer

Simone Badioli

Manager responsible for preparing Aeffe S.p.A. financial reports

Matteo Scarpellini

DRAFT STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2022

Report on operations

1. ECONOMIC BACKGROUND

Shareholders,

We find it necessary to focus on the main macroeconomic variables in the sphere of which Aeffe S.p.A. has found itself operating.

INTERNATIONAL MACROECONOMIC SITUATION

The global economy continues to be affected by high inflation, the deep uncertainty connected with the war in Ukraine and the restrictive stance of monetary policies. The cyclical indicators and the first available national statistics pointed to a worsening of the situation in the fourth quarter, more markedly so in the advanced countries and in China. International trade is also thought to have slackened at the end of last year.

Considerable risks persist in connection with geopolitical developments. Despite some signs of a decrease, inflation has remained high and central banks in the main advanced economies have continued with monetary restrictions. The international institutions expect global growth to weaken in 2023.

The Winter 2023 Economic Forecast of European Commission published on February 13th 2023, projects that, the EU economy entered 2023 on a better footing than projected in autumn. The Winter interim Forecast lifts the growth outlook for this year to 0.8% in the EU and 0.9% in the euro area. Both areas are now set to narrowly avoid the technical recession that was anticipated for the turn of the year. The forecast also slightly lowers the projections for inflation for both 2023 and 2024.

Favourable developments since the Autumn Forecast have improved the growth outlook for this year. Continued diversification of supply sources and a sharp drop in consumption have left gas storage levels above the seasonal average of past years, and wholesale gas prices have fallen well below prewar levels. In addition, the EU labour market has continued to perform strongly, with the unemployment rate remaining at its all-time low of 6.1% until the end of 2022. Confidence is improving and January surveys suggest that economic activity is also set to avoid a contraction in the first quarter of 2023.

Headwinds, however, remain strong. Consumers and businesses continue to face high energy costs and core inflation (headline inflation excluding energy and unprocessed food) was still rising in January, further eroding households' purchasing power.

As inflationary pressures persist, monetary tightening is set to continue, weighing on business activity and exerting a drag on investment.

The inflation forecast has been revised slightly downwards compared to autumn, mainly reflecting developments in the energy market. In the euro area, the headline inflation is forecasted to fall from 8.4% in 2022 to 5.6% in 2023 and to 2.5% in 2024.

While uncertainty surrounding the forecast remains high, risks to growth are broadly balanced. Domestic demand could turn out higher than projected if the recent declines in wholesale gas prices pass through to consumer prices more strongly and consumption proves more resilient. Nonetheless, a potential reversal of that fall cannot be ruled out in the context of continued geopolitical tensions. External demand could also turn out to be more robust following China's re-opening – which could, however, fuel global inflation.

Risks to inflation remain largely linked to developments in energy markets, mirroring some of the identified risks to growth. Especially in 2024, upside risks to inflation prevail, as price pressures may turn out broader and more entrenched than expected if wage growth were to settle at above-average rates for a sustained period.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

The Altagamma Consensus foresees for 2023, after a record 2022 compared to other sectors and decisively surpassing pre-Covid-19 levels, still growth, despite macroeconomic uncertainty. The increase in energy costs, rising inflation, the shortage of raw materials, geopolitical tensions and the drop in the purchasing power of some consumer Companies will partially affect performance, which will however remain high. Average EBITDA for 2023 is expected to grow.

Europe is expected to grow by 5%, thanks to the increase in international travels (especially from the USA, thanks to the favorable euro-dollar exchange rate, but also from Arab countries) which will compensate for the weaker domestic demand. Also for the United States, with the development of new territories and a stronger domestic demand than in Europe, growth of 5% is forecast. China and Asia are more difficult to estimate: in particular in China, the lockdown policies for the containment of Covid-19 could bring unexpected effects. The market should still benefit from an opening and thanks to the rebound effect, consumption could grow by 9%. In the long run, China remains the largest luxury market, driven by the prosperity of the middle class, new generations and the development of new poles. A +7% is expected for the Middle East, with areas such as the United Arab Emirates (but also Turkey) which - not having imposed sanctions - are taking advantage of Russian consumption.

All categories will see an increase in sales not only thanks to an increase in prices, but also an increase in volumes. Therefore, grow in value. The leadership of accessories is reconfirmed, continuing their positive trend: +8.5% for leather goods and +7% for footwear. Apparel confirm the growth rate of 2022.

2. TREND OF THE COMPANY MANAGEMENT

INCOME STATEMENT

(Values in thousands of EUR)	Full Year 2022	% on revenues	Full Year 2021	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**164,666,380**	**100.0%**	**114,173,149**	**100.0%**	**50,493,231**	**44.2%**
Other revenues and income	10,146,659	6.2%	7,766,600	6.8%	2,380,059	30.6%
TOTAL REVENUES	**174,813,039**	**106.2%**	**121,939,749**	**106.8%**	**52,873,290**	**43.4%**
Changes in inventory	(254,693)	(0.2%)	(1,551,381)	(1.4%)	1,296,688	(83.6%)
Costs of raw materials, cons. and goods for resale	(65,186,529)	(39.6%)	(47,110,540)	(41.3%)	(18,075,989)	38.4%
Costs of services	(49,587,969)	(30.1%)	(35,865,950)	(31.4%)	(13,722,019)	38.3%
Costs for use of third parties assets	(15,443,032)	(9.4%)	(8,375,343)	(7.3%)	(7,067,689)	84.4%
Labour costs	(30,287,818)	(18.4%)	(28,111,640)	(24.6%)	(2,176,178)	7.7%
Other operating expenses	(1,764,931)	(1.1%)	(1,252,730)	(1.1%)	(512,201)	40.9%
Total Operating Costs	(162,524,972)	(98.7%)	(122,267,584)	(107.1%)	(40,257,388)	32.9%
GROSS OPERATING MARGIN (EBITDA)	**12,288,067**	**7.5%**	**(327,835)**	**(0.3%)**	**12,615,902**	**(3,848.2%)**
Amortisation of intangible fixed assets	(566,542)	(0.3%)	(505,026)	(0.4%)	(61,516)	12.2%
Depreciation of tangible fixed assets	(1,287,059)	(0.8%)	(1,306,484)	(1.1%)	19,425	(1.5%)
Depreciation of right-of-use assets	(9,469,199)	(5.8%)	(1,871,768)	(1.6%)	(7,597,431)	405.9%
Revaluations / (write-downs) and provisions	(2,268,274)	(1.4%)	(13,102,480)	(11.5%)	10,834,206	(82.7%)
Total Amortisation, write-downs and provisions	(13,591,074)	(8.3%)	(16,785,758)	(14.7%)	3,194,684	(19.0%)
NET OPERATING PROFIT / LOSS (EBIT)	**(1,303,007)**	**(0.8%)**	**(17,113,593)**	**(15.0%)**	**15,810,586**	**(92.4%)**
Financial income	263,806	0.2%	68,061	0.1%	195,745	287.6%
Financial expenses	(2,447,483)	(1.5%)	(840,066)	(0.7%)	(1,607,417)	191.3%
Leasing interest expenses	(288,018)	(0.2%)	(427,998)	(0.4%)	139,980	(32.7%)
Total Financial Income/(expenses)	(2,471,695)	(1.5%)	(1,200,003)	(1.1%)	(1,271,692)	106.0%
PROFIT / LOSS BEFORE TAXES	**(3,774,702)**	**(2.3%)**	**(18,313,596)**	**(16.0%)**	**14,538,894**	**(79.4%)**
Taxes	(1,560,026)	(0.9%)	2,393,359	2.1%	(3,953,385)	(165.2%)
NET PROFIT / LOSS	**(5,334,728)**	**(3.2%)**	**(15,920,237)**	**(13.9%)**	**10,585,509**	**(66.5%)**

Revenues from sales and services

In 2022, revenues went from EUR 114,173 thousand in 2021 to EUR 164,666 thousand in 2022, with an increase of 44.2%. In absolute terms, the increase of EUR 32,621 thousand is due to the merger by incorporation of the subsidiary Velmar S.p.A. and the remainder of EUR 17,872 thousand is due to the increase in sales volume.

41% of revenues are earned in Italy while 59% come from foreign markets.

Labour costs

Labour costs increase from EUR 28,111 thousand in 2021 to EUR 30.288 thousand in 2022, with an increase of 7.7% deriving mainly from the merger by incorporation of the subsidiary Velmar S.p.A.

Gross Operating Margin (EBITDA)

EBITDA moves from EUR 12,288 thousand in 2022 to EUR -328 thousand in 2021.

In percentage terms MOL changes from -0.3% in 2021 to -7.5% in 2022.

This change is attributable to the increase in sales volumes and the merger by incorporation of the subsidiary Velmar Spa for EUR 5,749 thousand.

Net operating profit (EBIT)

Net operating profit moves from EUR -17,114 thousand in 2021 to EUR -1,303 thousand in 2022, mainly due to the improvement in EBITDA.

The write-downs concerned the equity investments in the Italian subsidiary Aeffe Retail S.p.A. and in the foreign subsidiaries Aeffe UK Ltd and Aeffe France Sarl.

Net financial charges

Net financial expenses moves from EUR -1,200 thousand in 2021 to EUR -2,472 thousand in 2022 with an increase of 106% mainly due to the increase in interest rates (Euribor).

Result before taxes

Pre-tax profit moves from EUR -18,314 thousand in 2021 to EUR -3,775 thousand in 2022, a positive change in absolute value of EUR 14,539 thousand mainly due to the increase in EBITDA.

Net result

Net income for the year moves from EUR -15,920 thousand in 2021 to EUR -5,335 thousand in 2022, with a positive change in absolute value of EUR 10,586 thousand mainly due to the increase in Ebitda.

BALANCE SHEET

(Values in units of EUR)	31 December 2022	31 December 2021
Trade receivables	78,010,726	37,215,640
Stock and inventories	34,042,900	29,328,258
Trade payables	(100,421,365)	(71,145,844)
Operating net working capital	**11,632,261**	**(4,601,946)**
Other short term receivables	14,016,860	12,766,418
Tax receivables	8,285,076	4,949,448
Other short term liabilities	(7,497,022)	(8,075,135)
Tax payables	(1,498,398)	(1,441,944)
Net working capital	**24,938,777**	**3,596,841**
Tangible fixed assets	40,897,123	41,816,631
Intangible fixed assets	3,376,633	3,286,218
Right-of-use assets	7,998,552	12,012,282
Equity investments	187,236,420	202,298,682
Other fixed assets	558,843	977,745
Fixed assets	**240,067,571**	**260,391,558**
Post employment benefits	(2,570,092)	(3,076,827)
Provisions	(4,281,467)	(5,505,593)
Long term not financial liabilities	(197,873)	(206,935)
Deferred tax assets	1,749,688	2,756,646
Deferred tax liabilities	(6,839,139)	(6,800,786)
NET CAPITAL INVESTED	**252,867,465**	**251,154,904**
Share capital	24,606,246	24,917,359
Other reserves	103,599,155	105,238,328
Profits/(Losses) carried-forward	2,374,995	2,347,959
Profits/(Loss) for the period	(5,334,728)	(15,920,238)
Shareholders' equity	**125,245,668**	**116,583,409**
Cash	(5,761,692)	(3,991,604)
Long term financial liabilities	76,167,068	100,048,986
Short term financial liabilities	47,589,917	24,684,088
NET FINANCIAL POSITION WITHOUT IFRS 16 EFFECTS	**117,995,293**	**120,741,470**
Short term lease liabilities	2,231,292	1,794,165
Long term lease liabilities	7,395,212	12,035,860
NET FINANCIAL POSITION	**127,621,797**	**134,571,495**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**252,867,465**	**251,154,904**

NET CAPITAL INVESTED

Compared to December 31, 2021, net invested capital increased by 0.7%% eual to EUR 1,713 thousand.

Net working capital

Net working capital amounts to EUR 24,939 thousand at 31 December 2022 compared with EUR 3,597 thousand at 31 December 2021.

Changes in the main items included in the net working capital are described below:

- the operating net working capital increases by a total of EUR 16,234 thousand. Such change is mainly due to the increase trade receivables and trade payables deriving mainly from the increase in sales volume and partly from the merger by incorporation of the subsidiary Velmar S.pA. equal to Euro 13,974 thousand;
- the sum of other short term receivables and payables increases by total of EUR 1,828 thousand compared with the previous period, primarily due to the increase in prepaid costs due to the merger by incorporation of the subsidiary Velmar S.p.A.;
- the sum of tax receivables and tax payables changes in all of EUR 3,279 thousand mainly due to the decrease of group VAT credit.

Fixed assets

Fixed assets decrease by EUR 20,324 thousand since 31 December 2021, mainly as a result of the devaluations of the investment in the Italian subsidiary Aeffe Retial S.p.A. and as a result of the merger by incorporation of the subsidiary Velmar S.p.A.

The changes in the main items are described below:

- tangible fixed assets decrease of EUR 920 thousand as a consequence of:
    - investments for EUR 302 thousand leasehold improvements, information tools and general and specific plant and machinery;
    - increases of EUR 96 thousand following the merger by incorporation of the subsidiary Velmar S.p.A.;
    - decrease of EUR 31 thousand for information tools and general plant and machinery
    - depreciations for EUR 1,287 thousand;
- intangible fixed assets increase of EUR 91 thousand as a consequence of:
    - increases of EUR 89 thousand following the merger by incorporation of the subsidiary Velmar S.p.A.;
    - investments for EUR 569 thousand in software;
    - amortisations for EUR 567 thousand;
- equity investments moves of EUR 15,062 thousand due to the following write-downs:
    - reset of the value of the investment of the subsidiary Velmar S.p.A. equal to EUR 8,290 following the merger by incorporation of the same into Aeffe S.p.A.;
    - write-down of the investment in Aeffe Retail for EUR 6,806 thousand following the loss reported in the previous year and the impairment test carried out;
    - subscription of the Aeffe Netherland BV investment for EUR 25 thousand. Company wholly owned by Aeffe S.p.A. which manages an outlet located in Roermond in the Netherlands and markets clothing and accessories for the Group's brands.

NET FINANCIAL POSITION

The net financial debt of the Company amounts to EUR 127,622 thousand at December 31, 2022 compared to EUR 134,571 thousand at December 31, 2021 , with an improvement of EUR 6,950 thousand.

The cash reserves of Aeffe S.p.A., as a result of the merger, are increased by EUR 734 thousand.

The financial debt net of the effect of the application of IFRS 16 is equal to EUR 117,995 thousand at December 31, 2022 compared to EUR 120,741 thousand at December 31, 2020.

SHAREHOLDERS' EQUITY

Total shareholders' equity increases by EUR 8,662 thousand as a result of the merger by incorporation of the subsidiary Velmar S.p.A. equal to EUR 15,871 value offset by the loss for the period and by the purchase of treasury shares. .

3. RESEARCH & DEVELOPMENT

Considering the particular nature of our products, research & development activities consist in the continual technical/stylistic renewal of our models and the constant improvement of the materials employed in production.

These costs, totalling EUR 22,044 thousand, have been charged to the 2022 Income Statement.

4. INFORMATION PURSUANT TO POINT 6-BIS OF ART. 2428.3 OF THE ITALIAN CIVIL CODE

Pursuant to point 6-bis of art. 2428.3 of the Italian Civil Code, it is confirmed that the Company does not use derivative financial instruments.

Financing requirements and the related risks are managed at acentralised level by the treasury department.

The principal objective is to ensure that the composition of liabilities and assets remains balanced, so that a high degree of financial strength is maintained.

The average cost of borrowing is essentially linked to 3/6-month EURIBOR plus a spread that principally depends on the type of financial instrument used.

The exchange risk associated with commercial transactions not denominated in the functional currency is hedged by the opening of loans in foreign currency in their respective countries.

5. INFORMATION ABOUT SHARE CAPITAL

Information about the share capital is provided in the Report on Corporate Governance prepared pursuant to arts. 124 bis of the Consolidated Finance Law and 89 bis of the Consob's Issuers' Regulations, and art. IA2.6 of the related Market Instructions. This report was approved by the Board of Directors on 17 March 2022 and is available in the Governance section of the Company's website: www.aeffe.com.

The following parties hold each more than 3% of the Company's shares at the date of the Report are:

Main shareholders	%
Fratelli Ferretti Holding S.r.l.	61.797%
Other shareholders(*)	38.203%

(*) 8.325% of own shares held by Aeffe S.p.A.

6. TREASURY SHARES

As of 31 December 2022, the Company holds 8,937,519 treasury shares, par value EUR 0.25 each, totalling 8.325% of its share capital. During 2022, 1,244,452 treasury shares were purchased by the Company for a total value of EUR 2,046 thousands.

As of 31 December 2022 the Company does not hold shares of any controlling company either directly or indirectly.

7. TRANSACTIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

During the period, there were no transactions with related parties, including intragroup transactions, which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered. Information on transactions with related parties, including specific disclosures required by the Consob Communication of 28 July 2006, is provided in Notes 37 and 38.

8. INFORMATION RELATIVE TO PERSONNEL AND THE ENVIRONMENT

In a macroeconomic context marked by numerous challenges, where the positive news is that we are leaving the pandemic behind us, we managed to close the 2022 financial year with rather satisfactory results, and this allows us to address the issue of sustainability in an increasingly articulated and pervasive at the level of all activities and functions.

As part of a European context, we feel the urgency of addressing the issue of Sustainability in a structured way, having already become a strategic objective for our sector for some years, as emerged in various official national and European forums including the Summit of the EFA - European Fashion Alliance - which was held in Maspalomas in June 2022, in which we participated through the organizations that represent us at the sector level, Camera Nazionale della Moda Italiana and Altagamma in primis.

Here, one of the main topics on the agenda was the "Green Deal" formulated by the European Union in 2019 by the President of the Commission Ursula von Der Leyen, which has among its objectives the reduction of greenhouse gas emissions the fashion sector must also contribute. These objectives, which can no longer be postponed, if we want to ensure a future for the new generations, are also confirmed by international research including, for example, those conducted by McKinsey (The State of Fashion 2022) in which it emerges that 43% of Generation Zeta says it wants to favor companies that have a solid reputation for sustainability.

At the company level, we have laid the foundations for a transition towards a more sustainable business model inspired by the 17 sustainable development goals (SDGs) set by the UN in Agenda 2030. More concretely, we started with the introduction of a code ethics since 2008 which guides the company's actions at all levels and we maintain a solid relationship with the local area also through our participation in social initiatives. Among these, I like to mention the adhesion to the "Fashion Deserves the World" initiative in collaboration with the UN Agency for Migrants and Refugees (UNHCR) and the support provided to the Pura Vida association (ULDB project). Other initiatives that materialized in 2022 were the increase in the production of clean energy thanks to a new photovoltaic system installed in Pollini and various initiatives at the product level.

However, what we are about to achieve starting from 2023 is the introduction of sustainability objectives at a strategic level and then move on, on the basis of priorities, to more specific objectives for each area. We are already in contact with Re.Crea, a consortium set up and coordinated by the Camera Nazionale Della Moda Italiana which will allow us to discuss each other to identify the actions to be taken to reduce the production of waste or improve its reuse, analyze the areas that could be improved in the supply chain, evaluate how better manage the end of life of textile-clothing products as well as naturally increasing the use of eco-sustainable or regenerated materials for the production of our collections.

In other words, aware of the responsibilities we have towards our employees and the various communities that interact with our company also through the purchase of our products, we want to continue to grow an environmental culture and transform the challenge that awaits us into a opportunities to make the processes and collections we produce more attractive and more environmentally friendly.

For further details, please refer to what is indicated in the 2022 Consolidated Non-Financial Document.

9. THE RUSSIAN INVASION OF UKRAINE

Weak global economic activity and high geopolitical uncertainty, mainly due to Russia's unjustified aggression against Ukraine and its population, continue to create conditions unfavorable to growth in the euro area. To mitigate this uncertainty, the Aeffe has reduced the incidence of sales on the Russian-Ukrainian market from 2.7% in 2021 to 1.5% in 2022.

10. SIGNIFICANT EVENTS OF THE PERIOD

On 28 April 2022, the Board of Directors of Aeffe S.p.A. approved the merger by incorporation project into Aeffe S.p.A. of the 100% subsidiary Velmar S.p.A..

This operation is part of a corporate rationalization and reorganization process aimed to a greater efficiency in the management of the Group's activities and their coordination, through the reduction of decision-making levels and the rationalization of the synergies of the Group itself and the consequent saving of costs relating to the corporate, accounting, fiscal and administrative management of Velmar S.p.A.

On 28 June 2022, the Board of Directors approved the merger by incorporation into the Company of the 100% subsidiary Velmar S.p.A.

Subsequently, on 20 December 2022, the deed of merger by incorporation into the company Aeffe S.p.A. was stipulated of the 100% subsidiary Velmar S.p.A. registered in the Rimini business register on 28 December 2022 under protocol no. 85665/2022 of 23 December 2022.

The accounting and tax effects of the merger have been backdated to 1 January 2022.

The merger deed is available to the public at the registered office, on the website www.aeffe.com and on the authorized storage website www.emarketstorage.com.

The simplifications of art. 2505 of Civil Code has been applied to the merger. Since this is the absorption of a company wholly-owned by the absorbing company, the latter has not increase its share capital and, therefore, the Aeffe’s Articles of Association has not been modified and there hasn’t been impact on the composition of shareholders.

The merger has annulled the Aeffe’s partecipation in Velmar, equal to the whole share capital of the latter, with the acquisition by the Company of the Velmar’s assets.

The operation is configured as a "related parties transaction", pursuant to Consob Regulation 17221/2010 as subsequently amended (the "RPT Regulation") and the Procedure for related parties transactions adopted by Aeffe (the "RPT Procedure "), being Velmar a wholly owned subsidiary of Aeffe. However, the transaction is excluded from the application of the RPT Procedure, pursuant to art. 3.3 letter d) of the itself, as made by the Company with its own subsidiary in which there are no significant interests of other related parties related to Company, in compliance with the provisions of art. 14 of the RPT Regulation.

In these separate financial statements, the Company has adopted Assirevi's preliminary guidelines on the subject of IFRS pursuant to OPI document no. 2 (Revised). According to this approach, own mergers fall within the scope of IFRS 3 Business combinations. On the other hand, mother-daughter merger operations by incorporation cannot be classified as business combinations as they do not involve any exchange with third-party economies with reference to the activities that are combined, nor an acquisition in an economic sense. For the reasons indicated above, mother-daughter mergers by incorporation qualify as business combinations under common control and are excluded from the scope of application of IFRS 3. The merger of the company did not lead to the recognition of differences attributable to assest values but generated the recognition of a merger surplus reserve in the shareholder's equity of the merging company Aeffe S.p.A.

It should be noted that in the financial statements the comparative datas refer to the situation of Aeffe S.p.A. at 31 December 2021, in a pre-merger situation. For the purpose of a better understanding of the Explanatory Notes of the financial statements, and where not insignificant amounts, the balances (at 1 January 2022) of the incorporated company Velmar S.p.A. have been specified in the balance sheet datas and has been highlighted the contribution of Velmar S.p.A. during the year in the economic datas.

11. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 26 January 2023, as part of the corporate rationalization and reorganization process aimed at greater efficiency in the management of the Group's activities and their coordination, a process that began with the merger of the subsidiary Velmar S.p.A., the Executive Committee, which is studying the further actions to be taken forward, proposed to the Aeffe Board of Directors to evaluate and investigate a project aimed at simplifying and improving the management of the structure of the Group's Italian and foreign companies; in particular, the Executive Committee will have to evaluate the times, opportunities and ways of the possible merger into Aeffe S.p.A. of the Italian subsidiaries Moschino S.p.A., Aeffe Retail S.p.A., Pollini S.p.A., Pollini Retail S.p.A., as well as the rationalization and merger of the companies present in foreign territories (Moschino France, Aeffe France, Fashoff UK, Aeffe UK, Aeffe USA, Moschino USA) so that , for each foreign country, there is only one subsidiary.

As a result, the Board proceeded to confer a consequent mandate on the Executive Committee, to carry out the fulfilments necessary for the assessment of the timing of the aforementioned transactions and for the preparation of the necessary merger projects to be presented to the Board of Directors.

12. OUTLOOK

We positively evaluate 2022 results and we are particularly satisfied with the investments implemented, including the finalization of the Moschino direct distribution project in China, confident that the choices made will be reflected in a progression of both revenues and profitability in the medium term. With attention to the evolution of the market context and the related contingencies, the Company is still committed to strengthening the development plans of the proprietary brands both at a commercial level and in terms of optimization of the corporate and organizational structure.

13. PROPOSALS TO APPROVE THE FINANCIAL STATEMENTS AND ALLOCATE THE RESULT FOR THE YEAR 2022

Shareholders,
In presenting the financial statements as of 31 December 2022 for your approval, we propose to cover the loss of the year of EUR 5,334,728 through the use of the Share premium reserve.

15 March 2023

Chief executive officer
Simone Badioli

Financial Statements

BALANCE SHEET (*)

(Values in units of EUR)	Notes	31 dicembre 2022	31 dicembre 2021	Change
Trademarks		2,519,864	2,645,627	(125,763)
Other intangible fixed assets		856,769	640,591	216,178
Intangible fixed assets	(1)	3,376,633	3,286,218	90,415
Lands		17,319,592	17,319,592	-
Buildings		21,239,681	21,848,306	(608,625)
Leasehold improvements		601,517	684,507	(82,990)
Plant and machinary		1,107,261	1,284,944	(177,683)
Equipment		37,910	50,239	(12,329)
Other tangible fixed assets		591,162	629,043	(37,881)
Tangible fixed assets	(2)	40,897,123	41,816,631	(919,508)
Right-of-use assets	(3)	7,998,552	12,012,282	(4,013,730)
Equity investments	(4)	187,236,420	202,298,682	(15,062,262)
Other fixed assets	(5)	558,843	977,745	(418,902)
Deferred tax assets	(6)	1,749,688	2,756,646	(1,006,958)
NON-CURRENT ASSETS		**241,817,259**	**263,148,204**	**(21,330,945)**
Stocks and inventories	(7)	34,042,900	29,328,258	4,714,642
Trade receivables	(8)	78,010,726	37,215,640	40,795,086
Tax receivables	(9)	8,285,076	4,949,448	3,335,628
Cash	(10)	5,761,692	3,991,604	1,770,088
Other receivables	(11)	14,016,860	12,766,418	1,250,442
CURRENT ASSETS		**140,117,254**	**88,251,368**	**51,865,886**
TOTAL ASSETS		**381,934,513**	**351,399,572**	**30,534,941**
Share capital		24,606,246	24,917,359	(311,113)
Other reserves		103,599,155	105,238,328	(1,639,173)
Profits / (Losses) carried-forward		2,374,995	2,347,959	27,036
Net profit / loss		(5,334,728)	(15,920,238)	10,585,510
SHAREHOLDERS' EQUITY	**(12)**	**125,245,668**	**116,583,409**	**8,662,259**
Provisions	(13)	4,281,467	5,505,593	(1,224,126)
Deferred tax liabilities	(5)	6,839,139	6,800,786	38,353
Post employment benefits	(14)	2,570,092	3,076,827	(506,735)
Long term financial liabilities	(15)	83,562,280	112,084,846	(28,522,566)
Long term not financial liabilities	(16)	197,873	206,935	(9,062)
NON-CURRENT LIABILITIES		**97,450,851**	**127,674,987**	**(30,224,136)**
Trade payables	(17)	100,421,365	71,145,844	29,275,521
Tax payables	(18)	1,498,398	1,441,944	56,454
Short term financial liabilities	(19)	49,821,209	26,478,253	23,342,956
Other liabilities	(20)	7,497,022	8,075,135	(578,113)
CURRENT LIABILITIES		**159,237,994**	**107,141,176**	**52,096,818**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**381,934,513**	**351,399,572**	**30,534,941**

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the balance sheet of Aeffe S.p.A. are shown in Attachment II and described in Notes 37 and 38.

INCOME STATEMENT (*)

(Values in units of EUR)	Notes	Full year 2022	%	Full year 2021	%
REVENUES FROM SALES AND SERVICES	**(21)**	**164,666,380**	**100.0%**	**114,173,149**	**100.0%**
Other revenues and income	(22)	10,146,659	6.2%	7,766,600	6.8%
TOTAL REVENUES		**174,813,039**	**106.2%**	**121,939,749**	**106.8%**
Changes in inventory		(254,693)	(0.2%)	(1,551,381)	(1.4%)
Costs of raw materials, cons. and goods for resale	(23)	(65,186,529)	(39.6%)	(47,110,540)	(41.3%)
Costs of services	(24)	(49,587,969)	(30.1%)	(35,865,950)	(31.4%)
Costs for use of third parties assets	(25)	(15,443,032)	(9.4%)	(8,375,343)	(7.3%)
Labour costs	(26)	(30,287,818)	(18.4%)	(28,111,640)	(24.6%)
Other operating expenses	(27)	(1,764,931)	(1.1%)	(1,252,730)	(1.1%)
Amortisation and write-downs	(28)	(13,591,074)	(8.3%)	(16,785,758)	(14.7%)
Financial Income / (expenses)	(29)	(2,471,695)	(1.5%)	(1,200,003)	(1.1%)
PROFIT / LOSS BEFORE TAXES		**(3,774,702)**	**(2.3%)**	**(18,313,596)**	**(16.0%)**
Income Taxes	(30)	(1,560,026)	(0.9%)	2,393,359	2.1%
NET PROFIT / LOSS		**(5,334,728)**	**(3.2%)**	**(15,920,237)**	**(13.9%)**
Basic earning / (loss) per share	(31)	(0.054)		(0.159)	
Dilutive earning / (loss) per share	(31)	(0.054)		(0.159)	

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the income statement of Aeffe S.p.A. are shown in the income statement presented in Attachment III and described in Notes 37 and 38.

COMPREHENSIVE INCOME STATEMENT

(Values in units of EUR)	Full Year 2022	Full Year 2021
Profit/(loss) for the period (A)	**(5,334,728)**	**(15,920,237)**
Remeasurement of defined benefit plans	172,551	(79,479)
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss	-	-
Total other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1)	**172,551**	**(79,479)**
Gains/(losses) on cash flow hedges	-	-
Gains/(losses) on exchange differences on translating foreign operations	-	-
Income tax relating to components of Other Comprehensive income / (loss)	-	-
Total other comprehensive income that will be reclassified subsequently to profit or loss, net of tax (B2)	**-**	**-**
Totale Other comprehensive income, net of tax(B1)+(B2)=(B)	**172,551**	**(79,479)**
Total Comprehensive income / (loss) (A) + (B)	**(5,162,177)**	**(15,999,716)**

CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	Full Year 2022	Full Year 2021
Opening balance		**3,992**	**6,240**
Profit before taxes		(3,775)	(18,314)
Amortisation / write-downs		13,591	16,786
Accrual (+)/availment (-) of long term provisions and post employment benefits		(2,945)	1,597
Paid income taxes		(458)	4,121
Financial income (-) and financial charges (+)		2,472	1,200
Change in operating assets and liabilities		(22,856)	18,478
Cash flow (absorbed) / generated by operating activity	**(32)**	**(13,971)**	**23,868**
Increase (-)/ decrease (+) in intangible fixed assets		(657)	(351)
Increase (-)/ decrease (+) in tangible fixed assets		(368)	(682)
Increase (-)/ decrease (+) in right-of-use assets (1)		1,745	(745)
Investments and write-downs (-)/ Disinvestments and revaluations (+)		8,257	(76,009)
Cash flow (absorbed) / generated by investing activity	**(33)**	**8,977**	**(77,787)**
Other variations in reserves and profits carried-forward of shareholders' equity		13,997	(1,134)
Proceeds (+)/repayments (-) of financial payments		(976)	53,749
Proceeds (+)/ repayment (-) of lease payments		(4,204)	(1,112)
Increase (-)/ decrease (+) in long term financial receivables		419	1,368
Financial income (+) and financial charges (-)		(2,472)	(1,200)
Cash flow (absorbed) / generated by financing activity	**(34)**	**6,764**	**51,671**
Closing balance		**5,762**	**3,992**

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the cash flows of Aeffe S.p.A. are shown in the cash flow statement presented in Attachment IV and described in Notes 37 and 38.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Legal reserve	Extraordinary reserve from realignment of D.L. 104/2020	Remeasurement of defined benefit plans reserve	Profits / (Losses) carried-forward	Net profit / loss	Total shareholders' equity
At December 31, 2021	**24,917**	**69,334**	**21,303**	**7,742**	**(116)**	**4,032**	**3,807**	**(864)**	**2,348**	**(15,920)**	**116,583**
Cover of 2021 loss			(15,920)							15,920	-
Total comprehensive income/(loss) of 2022										(5,335)	(5,335)
Merger by incorporation Velmar Spa			15,882		26			(64)	27		15,871
Other variations	(311)	(1,735)						173			(1,873)
At December 31, 2022	**24,606**	**67,599**	**21,265**	**7,742**	**(90)**	**4,032**	**3,807**	**(755)**	**2,375**	**(5,335)**	**125,246**

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Legal reserve	Extraordinary reserve from realignment of D.L. 104/2020	Remeasurement of defined benefit plans reserve	Profits / (Losses) carried-forward	Net profit / loss	Total shareholders' equity
At December 31, 2020	**25,044**	**70,144**	**46,257**	**7,742**	**(116)**	**4,032**		**(785)**	**2,348**	**(21,029)**	**133,637**
Allocation of 2019 profit			(21,029)							21,029	-
Total comprehensive income/(loss) of 2020										(15,920)	(15,920)
Other variations	(127)	(810)	(3,925)				3,807	(79)			(1,134)
At December 31, 2021	**24,917**	**69,334**	**21,303**	**7,742**	**(116)**	**4,032**	**3,807**	**(864)**	**2,348**	**(15,920)**	**116,583**

Report of the Board of Statutory Auditors to the Shareholders' Meeting called to approve the financial statements as of 31st December 2022

pursuant to article 153 of Italian Legislative Decree 58/98

Shareholders,

Pursuant to art. 153 of Decree 58/1998 (TUF - Consolidated Finance Law) and art. 2429, para. 2, of the Italian Civil Code, the Board of Statutory Auditors is required to report to the Shareholders' Meeting on the results for the year and the supervisory work carried out in the performance of its duties, making observations with regard to the financial statements and their approval on the matters for which it is responsible.

During the year, the Board of Statutory Auditors performed its supervisory activities in compliance with current regulations, having regard for the rules of conduct issued by the Italian Accounting Profession, the instructions issued by Consob regarding the audit and other work carried out by Boards of Statutory Auditors, and the indications contained in the Corporate Governance Code for listed companies, approved in January 2020 by the specific Committee established and promoted by Borsa Italiana S.p.A. (the **"Code"**), which has been adopted by AEFFE S.p.A. (hereinafter also referred to as **"AEFFE"** or the **"Company"**).

For this purpose, in addition to attending the meetings of the Board of Directors and the Board Committees, the Board of Statutory Auditors exchanged information constantly with the managers of the administrative and audit functions, with the Body responsible for supervising the effectiveness, application and update of the Organization, Management and Control Model pursuant to Decree 231/01 adopted by the Company (**"Supervisory Body"**), with "RIA GRANT THORNTON S.p.A.", the Auditing Firm engaged to perform the legal audit of the accounts, and with "BDO ITALIA S.p.A.", the auditing firm designated to verify the conformity of the Non-Financial Statement pursuant to Decree 254/2016 (**"Non-Financial Statement" or "NFS"**) and issue the related assurance.

Board of Statutory Auditors

The Board of Statutory Auditors in office on the date of this report was appointed at the ordinary Shareholders' Meeting held on 22nd April 2020 and comprises:

- Stefano Morri (Chairman)
- Carla Trotti (Serving Auditor)
- Fernando Ciotti (Serving Auditor)

The Alternate Auditors are Daniela Elvira Bruno and Nevio Dalla Valle.

The Board of Statutory Auditors confirms that all its members comply with the regulatory instructions issued by Consob regarding the limit on the number of appointments held.

* * * * * * * * *

We confirm that the financial statements of the Company as of 31st December 2022 were prepared in accordance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Union and in force on 31st December 2022, and with the measures issued to implement art. 9 of Decree 38/2005.

The separate and consolidated financial statements of AEFFE as of 31st December 2022 contain the required attestations of conformity from the Chairman of the Board of Directors and the Executive responsible for preparing the Company's accounting documentation, pursuant to Law 262/2005.

Economic-financial impact of the Covid-19 contagion and increase in energy prices

In the context of our periodic checks, the Board of Statutory Auditors has monitored constantly the changes in the economic and financial position, having regard for the spread of the Covid-19 contagion and the effects of the marked increase in energy prices on the activities of the Company and the Group.

Significant non-recurring transactions

In the context of a corporate rationalization and reorganization process that will enhance the operational efficiency and coordination of Group activities, on 28th June 2022 the Board of Directors of AEFFE approved the absorption by the Company of Velmar S.p.A., a wholly-owned subsidiary. This operation was completed on 20th December 2022 on signature of the deed formalizing the merger of the above subsidiary. The merger procedure canceled the investment held by Aeffe S.p.A. in Velmar S.p.A., amounting to its entire share capital, on absorption by the Company of the net assets of Velmar S.p.A.

Having made the exception election allowed with regard to the merger by art. 70, para. 8, of CONSOB Regulation 11971 of 14th May 1999, as amended, AEFFE is not required to publish the prospectus specified in art. 70, para. 6, of the above CONSOB Regulation.

No other operations to be reported were identified during the year.

Impairment Test Methodology

As envisaged in the joint document issued by the Bank of Italy/Consob/ISVAP on 3rd March 2010, the Board of Directors confirmed on 15th March 2023 that the impairment test methodology adopted complies with the requirements of IAS 36.

Information about and the outcomes of the measurement process carried out are provided in the explanatory notes to the financial statements. The results of the tests performed did not identify any impairment situations.

The details of the impairment test methodology are described in the explanatory notes to the separate and consolidated financial statements.

Atypical or unusual transactions

To the best of our knowledge, the Company has not arranged any atypical or unusual transactions, as defined in Consob Communication No. DEM/6064293 of 28th July 2006.

Intercompany and related-party transactions

Pursuant to art. 2391-*bis* of the Italian Civil Code and Consob Decision 17221 of 12th March 2010 on the "Regulation of Related-Party Transactions", as later amended by Decisions 17389 of 23rd June 2010, 19925 of 22nd March 2017, 19974 of 27th April 2017, 21396 of 10th June 2020, 21624 of 10th December 2020 and 22144 of 22nd December 2021, the Board of Directors has approved the "Procedure for related-party transactions" (the "**Procedure**").

We confirm that the Procedure adopted by the Company for the transactions carried out during 2022 is consistent with the principles contained in the Consob Regulation, as last updated by Decision 22144 of 22nd December 2021, and is published on the website of the Company (*www.AEFFE.com*).

The transactions carried out with related parties are reported in the explanatory notes to the separate and consolidated financial statements of the Company and the Group, which also describe their economic and financial effects.

This Board has monitored compliance with the Procedure and the suitability of the process followed the Board of Directors in order to identify related parties and, in this regard, has no matters to report.

Supervisory work performed by the Board of Statutory Auditors during 2022

When carrying out its activities, the Board of Statutory Auditors:

- monitored compliance with the law and the Articles of Association;
- monitored compliance with the principles of proper administration;

- attended the meetings of the Board of Directors and the Executive Committee and, via the Chairman of Statutory Auditors or the assigned Statutory Auditor, the meetings of the Control, Risks and Sustainability Committee and the Compensation Committee, obtaining periodic information from the Directors, at least every quarter, on the general results of operations and the outlook for the future, as well as on the principal economic, financial and equity transactions carried out by AEFFE and its Group of companies (the "**Group**"), and ensuring that the resolutions adopted and implemented were not obviously imprudent, reckless, subject to potential conflicts of interest, in contrast with shareholders' resolutions or likely to generate heavy losses;
- monitored the adequacy of the organizational structure by direct observation, by the collection of information from the Managers of Business Functions and by attendance at the meetings of the Board Committees;
- monitored the adequacy and functioning of the system of internal control and risk management by attendance at the meetings of the Control, Risks and Sustainability Committee and by obtaining information from the Executive Director, as well as from the Director responsible for the system of internal control and risk management, the Managers of Business Functions, the representatives of the Auditing Firm and the Supervisory Body, to which a member of this Board also belongs. This Board also met with the Internal Audit Managers of the Company, obtaining information about the implementation status of the Audit Plan for the year;
- monitored the adequacy of the administrative-accounting system by meeting regularly with the Chief Financial Officer who, from 28th July 2022, is also the Executive responsible for preparing the Company's accounting documentation (Law 262/2005), and with RIA GRANT THORNTON, the Auditing Firm, in order to exchange data and information;
- monitored implementation of the rules of Corporate Governance adopted by the Company, in compliance with the principles embodied in the Code. In particular, this Board:
  - checked proper application of the verification criteria adopted by the Board of Directors in order to assess the independence of its members;
  - checked the independence of the Auditing Firm;
  - assessed the independence of the members of the Control Body;
- monitored the adequacy of the instructions given by the Company to its subsidiaries pursuant to art. 114, para. 2, TUF, in order to obtain from them, on a timely basis, the information needed to comply with disclosure requirements imposed by law;
- monitored the related-party and intercompany transactions and, in this regard, the Board considers the information provided by the Directors in the report on operations to be adequate;
- monitored proper application of the requirements placed on the Company by the Market Abuse Regulation, including those relating to internal dealing, investor protection and corporate disclosures.

Given all of the about and having regard for the evolution of the system of internal control and risk management, the analyses performed and the information obtained have not identified any matters inducing this Board to believe that, taken as a whole, the system of internal control and risk management of the Company is inadequate.

The Internal Auditors and the Supervisory Body did not raise any matters of concern to them during the periodic meetings held.

The annual report of the Board of Directors on Corporate Governance and the Ownership Structure does not highlight any matters that should be drawn to your attention.

Monitoring the process of financial disclosure

The Board of Statutory Auditors has verified the existence of an adequate organization governing the process through which financial information is collected, prepared and disseminated.

This Board also acknowledges that the Executive responsible for preparing the Company's accounting documentation has confirmed:

- the adequacy and suitability of the powers and resources granted by the Board of Directors;
- having had direct access to all the information required to produce the accounting information, without need for authorizations of any kind;
- having participated in the internal flows of information for accounting purposes and having approved all the related business processes.

The Board of Statutory Auditors therefore considers that the process followed to prepare financial information is adequate, and that there are no matters to be reported to the Shareholders' Meeting.

Monitoring the process of non-financial reporting (NFS)

As a Public Interest Entity (PIE) and large Group, AEFFE is required to report non-financial information to the public pursuant to Decree 254/2016, which transposed Directive 2014/95/EU and entered into force on 25th January 2017.

In compliance with the above regulations, the Consolidated NFS of the AEFFE Group for the year ended 31st December 2022, approved by resolution of the Board of Directors on 15th March 2023 and included in the Annual Financial Report as of 31st December 2022, was prepared to the extent needed to provide an understanding of the activities of the Group, its performance, its results and the impacts generated by it, covering the topics deemed significant and envisaged in art. 3, paras. 3 and 4, of Decree 254/2016, in conformity with the "*Global Reporting Initiative Sustainability Standards*", as defined by the GRI - *Global Reporting Initiative*.

This Board has monitored compliance with the instructions contained in Decree 254/2016 and Consob Regulation 20267/2018 regarding the Consolidated Non-Financial Statement (NFS) prepared by the Company, and checked that it i) describes the sustainability strategy adopted by the Group, ii) provides an understanding of the activities of the Group, its performance, its results and the impacts generated, and iii) reports on significant topics, having regard for the activities and characteristics of the Group.

In particular, during 2022 the Group continued work already in progress on the more detailed mapping of ESG (*Environmental, Social and Governance*) risks. Starting from an analysis of materiality, this will lead to the progressive integration of sustainability factors within the risk management model. The objective is to understand and assess the importance of ESG risks in terms of the impacts they might have on the organization and the other, more traditional categories of risk.

As a result, the following areas are considered most impacted by the activities of the Group: i) Governance, ii) Human Resources, iii) Environment, iv) Fight against corruption and Human Rights, v) Economic performance and Procurement, vi) Product. This Board has exchanged information with BDO ITALIA S.p.A. regarding the checks carried out by the latter on the NFS, receiving confirmation that no matters to be disclosed were identified, as stated in the report issued in the NFS by the above Auditing Firm.

In its report issued today, BDO ITALIA S.p.A., which was appointed to examine the NFS pursuant to art. 3, para. 10, of Decree 254/2016, states that no matters have come to its attention that would induce it to believe that the NFS of the AEFFE Group for the year ended 31st December 2022 was not prepared, in all significant respects, in compliance with the requirements of arts. 3 and 4 of Decree 254/2016 and the Global Reporting Initiative Sustainability Reporting Standards, and in line with the indications contained in standard ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The Board of Statutory Auditors therefore considers that the process followed to prepare non-financial disclosures is adequate, having regard for the strategic objectives of the Group in socio-environmental terms, and that there are no matters to be reported to the Shareholders' Meeting.

Statements, complaints pursuant to art. 2408 of the Italian Civil Code. Any omissions, censurable facts or irregularities identified

During 2022, the Board of Statutory Auditors did not receive any statements and/or complaints, pursuant to art. 2408 of the Italian Civil Code, and did not identify any censurable facts, omissions or irregularities.

Remuneration of the directors, the general manager and key management personnel

During 2022, the Board of Statutory Auditors issued a favorable opinion regarding the determination of the emoluments of a Director, pursuant and consequent to art. 2389, para. 3, of the Italian Civil Code.

Other opinions expressed by the Board of Statutory Auditors

During 2022, the Board of Statutory Auditors also expressed a favorable opinion, pursuant to art. 2386, para. 1, of the Italian Civil Code, on the co-option of an Independent Director and the appointment of the C.F.O. as the Executive responsible for preparing the Company's accounting documentation pursuant to Law 262/05.

Monitoring pursuant to Decree 39/2010 - verification of the independence of the Auditing Firm

This Board has monitored the legal audit of the separate and consolidated financial statements, the independence of the Auditing Firm with particular reference to any non-audit services provided, and the results of the legal audit.

In the context of the meetings held with the Auditing Firm, the Board of Statutory Auditors - having regard for the interpretations provided by the most authoritative bodies representing the accounting professions and listed companies - carried out the monitoring duties specified in art. 19 of Decree 39/2010, requesting RIA GRANT THORNTON, the Auditing Firm, to describe, among other matters, the audit approach adopted, the fundamental aspects of the audit plan and the principal evidence that emerged from the work carried out.

With regard to the independence of RIA GRANT THORNTON, the Board of Statutory Auditors assessed the compatibility of engagements other than the legal audit with the prohibitions envisaged in art. 5 of Regulation (EU) 537/2014, and the absence of potential risks for the independence of the auditor deriving from provision of those services.

This Board also examined the transparency report pursuant to art. 18 of Decree 39/2010, prepared by RIA GRANT THORNTON in January 2023 and published on the website of that Auditing Firm (*https://www.ria-grantthornton.it/chi-siamo/transparency-report/)*.

The work performed by the Auditing Firm for the Group during 2022 is described in the explanatory notes to the consolidated financial statements. The Board of Statutory Auditors confirms that the consideration recognized for the above activities was appropriate, considering the extent, complexity and characteristics of the work performed, and that the engagements to provide non-audit services were not such as to undermine the independence of the Auditing Firm.

Observations on the report of the Auditing Firm

It is confirmed that, on 29th March 2023, RIA GRANT THORNTON S.p.A. issued:

- as the Legal Auditor, the reports envisaged in art. 14 of Decree 39/2010 and art. 10 of Regulation (EU) 537/2014, prepared in conformity with the instructions contained in the above Decree, as amended by Decree 135/2016; the reports express an unqualified opinion on the separate and consolidated financial statements and certify that they provide a true and fair view of the financial positions of the Company and Group as of 31st December 2022 and the results of their operations and the cash flows for the year then ended, in conformity with the applicable accounting standards.
- the additional report required by art. 11 of Regulation (EU) 537/2014, stating that there are no significant weaknesses in the system of internal control and risk management with regard to the process followed for making financial disclosures, and attaching the declaration envisaged in art. 6 of Regulation (EU) 537/2014, which does not identify any situations that might compromise the independence of the Auditing Firm.

Self-assessment of the Board of Statutory Auditors

In compliance with the *"Rules of Conduct for Boards of Statutory Auditors of listed companies"* issued by the Italian Accounting Profession, which require the Board of Statutory Auditors to carry out, following appointment and annually thereafter, a self-assessment of its work on the joint planning of its activities, of the suitability of its members, of their adequacy with reference to the professionalism, skill, honesty and ethics, and independence requirements, and of the adequacy of the time and resources available considering the complexity of the appointment (the **"Self-assessment"**), the Board of Statutory Auditors confirms that it has carried out the Self-assessment for 2022, the outcome of which is specifically documented in the *"Report on corporate governance and the ownership structure 2022"* pursuant to art. 123-*bis* TUF of the Company, which was made available to the public by the legal deadline on the website of AEFFE (www.AEFFE.com) and in the other ways envisaged in the current regulations.

Meetings of the Board of Statutory Auditors, the Board of Directors and the Board Committees

During 2022:

- the Board of Statutory Auditors held 10 meetings, each with a duration of about 2 hours and 30 minutes;
- the Board of Statutory Auditors held periodic meetings and exchanged information with the representatives of RIA GRANT THORNTON S.p.A.;
- the Board of Directors held 7 meetings. In this regard, it is noted that the Board of Directors has nine members, five of whom are independent; four of the nine directors are female;
- the Control, Risks and Sustainability Committee held 6 meetings, while the Compensation Committee met once.

The Board of Statutory Auditors attended all the meetings of the Board of Directors and the Executive Committee and, through its Chairman or an assigned Statutory Auditor, the meetings of the Board Committees.

Lastly, this Board confirms that it attended the Shareholders' Meeting held on 28th April 2022.

* * * * * * * * *

On 15th March 2023, the Chairman of the Board of Directors and the Executive responsible for preparing the Company's accounting documentation issued the declarations required pursuant to art. 154-*bis* TUF, attesting that:

- the separate and consolidated financial statements were prepared in conformity with the applicable international accounting standards endorsed by the European Commission, pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19th July 2002;
- the above documents agree with the accounting entries and registers and are suitable for providing a true and fair value of the economic and financial position of the Issuer and the Group.

The Board of Statutory Auditors confirms the completeness and adequacy of the information provided by the Board of Directors in its reports, including with regard to the risks and significant uncertainties to which the Company and the Group are exposed.

As indicated in the Report on Operations, no significant events have taken place subsequent to year end.

* * * * * * * * *

Conclusions

Based on the supervisory activities carried out during the year and the results of the work performed by the legal auditor of the accounts, RIA GRANT THORNTON S.p.A., contained in the auditors' report on the financial statements prepared pursuant to arts. 14 and 16 of Decree 39 of 27th January 2010 - expressing an unqualified opinion - the Board of Statutory Auditors, pursuant to art. 153, para. 2, of Decree 58 of 24th February 1998, believes that the financial statements present a true and fair view of the financial position of the Company as of 31st December 2022 and represent fully the business reality of AEFFE S.p.A. as of 31st December 2022, and has no objections to express with regard to the following resolutions proposed by the Board of Directors:

- approval of the separate financial statements as of 31st December 2022;
- coverage of the loss for the year of Euro 5,334,728 by use of the share premium reserve.

Lastly, the Board of Statutory Auditors confirms that, in compliance with art. 19, para. 1, of Decree 39/2010, it will inform the Board of Directors about the outcome of the legal audit of the accounts carried out by the Legal Auditor and send it the additional Report of the Legal Auditor, accompanied by its observations.

In thanking you for your confidence in us, we return our mandate which has now expired and invite you to make the necessary appointments for the next three-year period.

San Giovanni in Marignano, 30th March 2023

The Board of Statutory Auditors

Stefano MORRI - Chairman

Carla TROTTI – Serving auditor

Fernando CIOTTI – Serving auditor

Ria Grant Thornton

Independent auditors' report

pursuant to article 14 of Legislative Decree

n. 39 of January 27, 2010 and article 10

of EU Regulation n. 537 dated April 16th, 2014

Ria Grant Thornton S.p.A.
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To the Shareholders of

Aeffe S.p.A.

Report on the Audit of the separata financial statements

Opinion

We have audited the separate financial statements of Aeffe S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2022, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the separate financial statements, including summary of the most significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2022 and of its economic performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n.38/2005.

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 in accordance with the ethical and independence requirements applicable in the Italian regulation to audit of financial statements. 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 financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of investments in subsidiaries

Description of the Key matter	Audit procedures performed in response to the Key matter
In separate financial statements as at December 31, 2022 include among non-current assets, equity investments in subsidiaries amounting to Euro 187.2 million, with a decrease of Euro 15.1 million, mainly as a result of: - the merger by incorporation of Velmar S.p.A., which prompted its annulment of the related investment for Euro 8.2 million; - the write-down of the equity investment in Aeffe Retail S.p.A. for Euro 6.8 million. As reported in the explanatory notes, equity investments are accounted for at historical cost, which is reduced by permanent losses as required by IAS 36. Should the reasons for the write-down do not apply any longer, the original value is restored in subsequent years. As in previous years, the Directors have carried out impairment tests to identify the estimated recoverable value of certain investments in subsidiary of particular importance, to verify the appropriateness of their carrying amount. This recoverable value is based on the value in use, determined using the discounted cash flow method. The information is reported in the explanatory notes under note 4, 12, 13, 28 as well as in the summary of the accounting principles adopted and, in the paragraph, "*Main estimates adopted by the Management*". Due to the complexity of these valuation processes, we have considered the valuation of equity investments as a key aspect of the auditing activity.	Audit procedures carried out comprise: – an understanding of the process adopted in preparing the impairment tests of the affiliated companies; – an understanding of the process involved in preparing of the Aeffe Group's 2023 economic budget, approved by the Company's Board of Directors on 26 January 2023, from which the cash flow is deduced, at the base of the impairment tests; – an understanding of the estimates made by Company's Board of Directors with respect to the expected cash flows for the years 2024-2026, which are at the basis of the impairment tests; – an estimate of the recoverable value based on the enterprise value, obtained by applying the EV/Ebitda or EV/Sales multiples to the key figures of the companies subject to the test. The results obtained were adjusted to consider the net financial position at the date of the test; – examination of the appropriateness of the information and disclosures provided by the Directors in the explanatory notes in relation to equity investments and impairment tests.

Evaluation of inventory

Description of the Key matter	Audit procedures performed in response to the Key matter
In separate financial statement as at December 31, 2022 include among current assets inventories of Euro 34 million, net of obsolete allowance amounting Euro 1.9 million The determination of the allowance for inventory write-downs represents a complex accounting estimate that requires a high degree of judgment as it is influenced by multiple factors, including: – the characteristics of the sector in which the Company operates; – the seasonality of sales; – the pricing policies adopted and the disposal capacity of the sales channels. For these reasons, we considered the valuation of inventories to be a key aspect of the audit. The information is reported in the explanatory notes under note 7 and in the paragraph “Estimation criteria”.	The audit procedures performed included: – an understanding of the business processes, the related IT environment and the relevant controls adopted by the directors in order to determine the valuation of inventories and the implementation of controls and procedures to evaluate the operational effectiveness of the controls deemed relevant; – an analysis of changes in inventories during the year, considering the expected life cycle of inventories based on their age, and an analysis of the historical trend of sales and profitability by season; – verification, by means of documentary analysis and discussion with the company departments involved, of the methodology adopted for the purposes of determining the allowance for inventory obsolescence, aimed at understanding the assumptions underlying the expected dynamics of the disposal of goods – verification of the completeness and accuracy of the database used by the Directors to calculate the allowance for inventory obsolescence, as well as verification of the mathematical accuracy of the calculation; – examination of the appropriateness of the information provided by the Directors in the notes to the financial statements regarding inventories.

Responsibilities of the Directors and Board of Statutory Auditors for the Separate Financial Statements

The Directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n.38 dated February 28, 2005 and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms provided by the law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 Standard 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, could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with International Standard on Auditng (ISA Italia), we have exercised professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assessed the risks of material misstatement of the separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtained an understanding of internal control relevant to the audit 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;
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Concluded on the appropriateness of management's 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 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;
- Evaluated the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also have provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we have determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report.

Other information communicated pursuant to article 10 of EU Regulation n.537/14

The Shareholders' Meeting of Aeffe S.p.A. has appointed as on April 16, 2016 as auditors of the Company for the years from December 31, 2016 to December 31, 2024.

We declare that we have not provide prohibited non-audit service, referred to article 5, par.1, of EU Regulation 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in article 11 of the EU Regulation 537/2014.

Report on other legal and regulatory requirements

Opinion on compliance with the provisions of Delegated Regulation (EU) 2019/815

The Directors of Aeffe S.p.A. are responsible for the application of the provisions of Delegated Regulation (EU) 2019/815 of the European Commission on regulatory technical standards relating to the specification of the single electronic communication format (ESEF - European Single Electronic Format, hereinafter "Delegated Regulation") to the separate financial statements as at December 31, 2022, to be included in the annual financial report.

We have carried out the procedures set forth in Auditing Standard (SA Italia) n. 700B in order to express an opinion on the conformity of the separate financial statements with the provisions of the Delegated Regulations.

In our opinion, the separate financial statements as at December 31, 2022 have be prepared in XHTML format in accordance with the provision of Delegated Regulations.

Opinion pursuant to article 14, par.2, subpar. e), of D.Lgs. 39/10 and of article 123-bis, par.4, of D.Lgs. 58/98

The Directors of Aeffe S.p.A. are responsible for the preparation of the report on operations and of the report on corporate governance and ownership structure of Aeffe S.p.A. as at December 31, 2022, including their consistency with the related separate financial statements and their compliance with the laws.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and same specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, paragraph 4 of Legislative Decree n. 58/98, with the separate financial statements of Aeffe S.p.A. as at December 31, 2022 and on their compliance with the law, as well as to make a statement about any material misstatements.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the separate financial statements of Aeffe S.p.A. as at December 31, 2022 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, par.2, subpar. e), of Legislative Decree n. 39, dated 27 January 2010, made on the basis on our knowledge, and understanding of the entity and of the related contest acquired during the audit, we have nothing to report.

Bologna, March 29, 2023

Ria Grant Thornton S.p.A.

Signed by
Marco Bassi
Socio

As disclosed by the Directors, the accompanying separate financial statements of Aeffe S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

EXPLANATORY NOTES

GENERAL INFORMATION

Aeffe S.p.A. (the "Company") is an Italian legal entity and a Parent Company that holds, directly or indirectly, equity investments in the companies that lead the business sectors in which the Aeffe Group is active.

The Company is based in San Giovanni in Marignano (Rimini) and is currently listed in the – STAR Segment – of the MTA, the Italian Stock Exchange operated by Borsa Italiana.

The Company has the following branch offices and local units:

1) Office and showroom in Donizetti street n.48 – Milan (MI);
2) Storage in Olmi street – San Giovanni in Marignano (RN);
3) Office and showroom in Donizetti street n.47 – Milan (MI);
4) Storage in Tavollo snc street – San Giovanni in Marignano (RN);
5) Storage in Erbosa I street n. 92 – Gatteo (FC);
6) Storage in Raibano n. 55/A street – Coriano (RN):
7) Storage in Tamerici 9 street – San Giovanni in Marignano (RN);
8) Storage in Chieri 107 street – Andenzeno (TO).
9) Storage in Lorenzatti 10 street – Vallefoglia (PU);
10) Store in Case Nuove sn – San Giovanni in Matignano (RN)

These financial statements have been prepared in EUR, which is the functional currency of the economy in which the Company operates.

The financial statements are accompanied by notes that explain the Company's economic and financial position as of and for the year ended 31 December 2022. This information is presented on a comparative basis, after adjusting the prior year's financial statements for consistency.

Unless stated otherwise, all amounts have been rounded to thousands of EUR.

The financial statements comprise the balance sheet, the income statement, comprehensive income statement the statement of changes in shareholders' equity, the cash flow statement and these explanatory notes.

Unless stated otherwise in the accounting policies described below, these financial statements have been prepared on an historical cost basis.

The financial statements have been audited by Ria Grant Thornton S.p.A.

The Company is controlled by the company Fratelli Ferretti Holding S.r.l., of which in the attachment V are reported the data of the latest approved statutory financial statements. The company Fratelli Ferretti Holding also draws up the consolidated financial statement in accordance with the international accounting standards.

DECLARATION OF CONFORMITY AND BASIS OF PRESENTATION

Pursuant to art. 3 of Decree 38/2005 dated 28 February 2005, these financial statements have been prepared in accordance with International Accounting Standards (IAS/IFRS). The explanatory notes, also prepared in accordance with IAS/IFRS, have been supplemented by the additional information requested by CO.N.SO.B and by its instructions issued in accordance with art. 9 of Decree 38/2005 (resolutions 15519 and 15520 dated 27 July 2006 and communication DEM/6064293 dated 28 July 2006, pursuant to art. 114.5 of the Consolidated Finance Law), by art. 78 of the Issuers' Regulations, by the EC document issued in November 2003 and, where applicable, by the Italian Civil Code. Consistent with last year's annual report, some of the required information is presented in the Directors' Report (Report on operations).

FINANCIAL STATEMENT FORMATS

As part of the options available under IAS 1 for the presentation of its economic and financial position, the Company has elected to adopt a balance sheet format that distinguishes between current and non-current assets and liabilities, and an income statement that classifies costs by type of expenditure, since this is deemed to reflect more closely its business activities. The cash flow statement is presented using the "indirect" format.

With reference to Consob Resolution no. 15519 dated 27th July 2006 regarding the format of the financial statements, additional schedules have also been presented for the income statement, the balance sheet and the cash flow statement in order to identify any significant transactions with related parties. This has been done to avoid compromising the overall legibility of the main financial statements.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this consolidated financial statement are the same used as those used in the preparation of the consolidated financial statement as of December 31, 2022, except for the following interpretations and amendments to the accounting principles that have been mandatory since January 1, 2022.

Accounting standards, amendments and interpretations approved by the European Union, applicable from 1 January 2022:

- **amendments to IFRS 3 Business Combinations**, aimed at completing the update of the references to the Conceptual Framework for Financial Reporting present in the accounting standard, providing clarifications on the conditions for the recognition at the acquisition date of provisions, contingent liabilities and/or tax liabilities assumed in the context of a business combination transaction, as well as to clarify when the potential assets cannot be recognized in the context of a business combination;

- **amendments to IAS 16 Property, Plant and Equipment**, in order to clarify that revenues deriving from the sale of goods produced by a plant before it has entered commercial operation are recognized in the income statement together with the related production costs;

- **amendments to IAS 37 Priovisions, Contingent Liabilities and Contingent Assets**, in order to clarify the method for determining any onerousness of a contract;

- **annual Improvements 2018-2020**: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

The adoption of these amendments did not have any effects on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations published by the IASB but not yet approved by the European Union:

- **amendments to IFRS 17 "Insurance contracts"**: the new standard establishes the principles for the recognition, evaluation, presentation and disclosure of insurance contracts under the IAS / IFRS international accounting standards. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents such contracts. This information provides users of the financial statements with a basis for evaluating the effect that insurance contracts have on the financial position, financial results and cash flows of the entity. IFRS 17 was issued in May 2017 and applies to annual financial years starting on or after 1 January 2023;

- **amendments to IAS 1 "Presentation of Financial Statements"**: Classification of Liabilities as Current or Noncurrent". The document aims to clarify how to classify debts and other short-term or long-term liabilities. The changes come into force on 1 January 2023; however, early application is permitted;

- **amendments to IAS 12 "Income Taxes"**: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The document clarifies how deferred taxes must be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leasing and decommissioning obligations. The amendments will apply from 1 January 2023, but early application is permitted.

Intangible fixed assets

Intangible fixed assets are identifiable non-monetary assets, without physical substance, that are controlled by the company and able to generate future economic benefits for the Company. Intangible fixed assets are initially recorded at purchase cost (being their fair value in the case of business combinations), as represented by the acquisition price paid including any charges directly attributable to the preparatory or production phase, if the conditions are met for the capitalisation of costs incurred on the internal generation of assets. Following initial recognition, intangible fixed assets are carried at cost, net of accumulated amortisation and any impairment recorded in accordance with IAS 36 (*Impairment of Assets*). Subsequent expenditure on intangible fixed assets is capitalised only if it increases the future economic benefits embodied in the specific asset to which it relates. All other costs are charged to the income statement as incurred.

Of intangible fixed assets, a distinction can be made between: a) those with an "infinite" useful life, such as goodwill, which are not amortised but subjected to an annual impairment test (or whenever there is reason to believe that the asset may have been impaired) in accordance with IAS 36; b) those with a finite useful life or other intangible fixed assets, the valuation criteria for which are reported in the following paragraphs.

Brands

Brands are recorded at cost and amortised systematically on a straight-line basis over their estimated useful life (40 years), commencing from the time the asset becomes available for use.

The Company has deemed it fair to attribute a finite life of 40 years to its brands, having regard for the prudent approach taken by other operators in the sector that consider the useful lives of their brands to be very long (given the extended utility of such assets), but not eternal or indefinite (duration not identifiable). This approach is consistent with the type of intangibles found in the fashion industry and with the long-established practices of other firms in the sector (market comparables).

Regarding the brand Alberta Ferretti, the exclusivity of the business, their historical profitability and their future income allow to consider their value recoverable, even in presence of difficult market conditions.

In order to calculate the recoverable value of the brand registered in the balance sheet, we estimated the current value, discounting the hypothetical value of the royalties deriving from the transfer in use to others of this intangible asset, for a period equal to residual useful life. To calculate the value, the management has used the Group budget starting from the year 2023. For the remaining periods the management has used an increase in turnover with a compound annual growth rate ("CAGR") ranging from 0.6% to 1.4%. As royalty rates we used the averages for the sector (10%) and as discount rate we used the average cost of capital (WACC) which is 8.40% (6.50% at 31 December 2021).

The impairment test was performed in a scenario that acknowledged the expected economic-financial effects and did not reveal any losses in value. The test carried out revealed that the impact of the pandemic on the recoverable value of the brand is limited and, in any case, included in the scenarios assumed for the usual sensitivity analysis. It follows that the value of the intangible asset recorded at 31 December 2021 is confirmed, net of the relative amortization charge for 2022.

Other intangible fixed assets

This caption comprises the costs incurred to acquire software, which is amortised over a period not exceeding 3 years.

The principal amortisation rates applied are summarised below:

Category	%
Royalties from patents and intellectual property	33%
Brands	2.5%

Research costs are charged to the income statement as incurred.

At 31 December 2022 the Company has not recorded intangible fixed assets with an "infinite" useful life in the intangible fixed assets.

Tangible fixed assets

Tangible fixed assets, stated net of accumulated depreciation, are recorded at purchase or production cost except for those assets which have been revalued in accordance with specific laws. Cost includes related charges and directly-attributable expenses.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using economic-technical rates that reflect the residual useful lives of each asset. Tangible fixed assets are written down in the event of permanent impairment, regardless of the depreciation already accumulated.

Ordinary maintenance expenses are charged in full to the income statement. Improvement expenditure is allocated to the fixed assets concerned and depreciated over their residual useful lives.

Construction in progress and advances to suppliers are recorded at the cost incurred, including directly-related charges.

As an exception to the general principle, the carrying amount of land and buildings has been adjusted to reflect the value determined by reference to an independent appraisal. This was performed to identify the separate value of land that was previously included in the "land and buildings" caption and consequently depreciated. The depreciation rates are applied on a straight-line basis over the new estimated useful lives of the buildings: 50 years (2%).

The depreciation rates applied are summarised below:

Category	%
Industrial buildings	2%
Plant and machinery	12.5%
Photovoltaic systems	9%
Industrial and commercial equipment	25%
Electronic machines	20%
Furniture and furnishings	12%
Motor vehicles	20%
Cars	25%

Land is not depreciated.

Leasehold improvements, including the costs of fitting and modernising directly-managed shops and all other property used for business purposes but not owned by the Company, are depreciated over the shorter of the duration of the lease, including any renewal periods, or their useful lives.

Improvement expenditure is added to the carrying amount of the assets concerned if the future economic benefits for the Company are likely to exceed those determined originally. Such expenditure is depreciated over the residual useful lives of the assets concerned. All other maintenance costs are charged to the income statement as incurred.

Leasing IFRS16

IFRS 16 was published in January 2016 and replaced IAS 17 Leasing, IFRIC 4, SIC-15 and SIC-27. IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases (contracts that give the right to use third party assets) and requires lessees to account for all leasing contracts in the financial statements on the basis of a single model similar to the one used to account for financial leases in accordance with IAS 17. The standard provides for two exemptions for the recognition by tenants - leasing contracts relating to activities of "low value / low value assets" (for example personal computers, copiers, ...) and short term / short term leasing contracts (for example contracts with expiration within 12 months or less). At the start date of the leasing contract, the lessee recognizes a liability against non-variable payments of the lease payments (i.e. the leasing liability) and an asset that represents the right to use the underlying asset for the duration of the contract (i.e. the right of use). Lessees must separately account for interest expenses on the leasing liability and the amortization of the right of use. Lessees will also need to remeasure the lease liability upon the occurrence of certain events (for example: a change in the conditions of the lease, a change in future payments of the lease following the change in an index or rate used to determine those payments). The lessee generally recognizes the amount of the remeasurement of the leasing liability as a correction of the right to use the asset. However, the standard does not provide for significant changes for landlords.

Determination of recoverable value (Impairment)

Under IAS 36, intangible and tangible fixed assets must be subjected to impairment testing if there is evidence (events, change of circumstances) to suggest a possible loss of value. The purpose of this is to ensure that assets are not recorded in the balance sheet at an amount that exceeds their recoverable value.

Brands and other intangible assets, together with tangible fixed assets, rights of use assets and other non-current assets, are subjected to a recoverable value check in the presence of indications of possible impairment.

An impairment loss occurs and is accounted for when the book value of an asset or cash-generating unit exceeds the recoverable value. The book value of the asset is adjusted to the recoverable value and the impairment loss is recognized in the income statement.

The recoverable value of these assets is the higher between their fair value, net of disposal costs, and their value in use. In order to determine value in use, the estimated future cash flows, including those deriving from the disposal of the asset at the end of its useful life, are discounted using a post-tax rate that reflects the current market assessment of the value of money and the risks associated with the Group's activities. If separate cash flows cannot be estimated for an individual asset, the separate cash generating unit to which the asset belongs is identified.

The increase in market interest rates, which during the year affected the discount rate used in calculating the value in use of an asset, reducing its recoverable value, is to be considered an extraordinary event which therefore it requires assessments in relation to the risk that the book values of the aforementioned assets may have suffered permanent losses in value.

To determine the recoverable value of the trademarks recorded in the financial statements, an estimate of the current value was made by discounting the hypothetical value of the royalties deriving from the transfer for use to third parties of these intangible assets, on the basis of which the cash flows are linked to the recognition of a percentage of royalties applied to the amount of revenues that the brand is able to generate, for a period of time equal to the residual useful life. The royalty rates used were the industry average (10%). For the 2022 valuation, the expected cash flows and revenues for the 2023 financial year derive from the 2023 Group Budget approved by the BoD on 26 January 2023 and for the 2024-2026 financial years from management estimates consistent with the expected development plans. The growth rate g used was 0%. The average cost of capital (WACC) of 8.40% was used as the discount rate (6.50% as at 31/12/2021).

Moreover, the Company has nevertheless conducted the usual sensitivity analyzes, required by IAS 36, in order to highlight the effects produced on the "value in use" by a reasonable change in the basic assumptions (WACC, growth rates).

From the analysis carried out, no impairment situations emerged as the net book value of the individual brands is within the range of values determined for the relative recoverable value.

Finally, the Company carried out an analysis aimed at assessing the recoverability of the right-of-use assets and of the intangible and tangible assets attributable to the individual directly operated stores (DOS) which highlighted impairment indicators linked to the increase in rates.

In particular, for the Cash Generating Units (CGU), the recoverable value, calculated as the greater of the fair value and the value in use of the relative Cash Generating Unit, was compared with the net carrying amount ("carrying amount"). For the 2022 valuation, the expected cash flows and revenues are based on the 2023 Group Budget approved by the Board of Directors on 26 January 2023 and for subsequent years, corresponding to the duration of the lease contracts, from management estimates consistent with the expected development plans.

Reinstatement of value

The value of financial assets recorded at amortised cost is reinstated when a subsequent increase in their recoverable value can, objectively, be attributed to an event that took place subsequent to recognition of the impairment loss.

The value of other non-financial assets is reinstated if the reasons for impairment no longer apply and the basis for determining their recoverable value has changed.

Write-backs are credited immediately to the income statement and the carrying amount of the asset concerned is adjusted to reflect its recoverable value. Recoverable value cannot exceed the carrying amount that would have been recognised, net of depreciation, had the value of the asset not been written down due to impairment in prior years.

The written down value of goodwill is never reinstated.

Equity investments

Investments in subsidiary, associated companies and joint venture are recorded as historical cost, as written down by any impairment recognised pursuant to IAS 36. Their original value is reinstated in subsequent years if the reasons for write-downs cease to apply.

It is reported that it proceeded with the estimation of the recoverable amount of some equity investments in subsidiaries of particular importance in order to verify the consistency of the book value.

The recoverable value is defined as the higher value between the fair value of the asset, deducted the costs for its sale, and the value in use. In order to calculate the recoverable value correctly, Aeffe Spa uses the value in use defined as the value of the future cash flows expected to originate from the asset.

For the calculation of the value in use, the Company refers to the following elements:

- Economic plan drawn up by the management for the determination of cash flows;
- Use of a specific discounting rate of these flows that reflects the current valuations of the time value of money and the specific risks associated with the activity carried out by the Company.

The method used is that of estimating the present value of cash flows in accordance with the principle established by IAS 36 to respect the consistency and homogeneity between the book value and the recoverable value.

The management uses the budget 2023 as the basis for calculation and prepares on the basis of the latter, a further 4 forecast years (Economic Accounts and Balance Sheets). In relation to the plans, a schedule of post-tax operating cash flows is then prepared which, on the basis of an estimated post-tax discounting rate (WACC of 8.40%), is subsequently discounted.

In order to assess the value in use of the investment with the discounted cash flow method, the management proceeded to estimate the value of the terminal flow using the perpetuity formula, taking account of the cash flow of the last year of the plan.

Lastly, to estimate the recoverable value of the investment, the management proceeded to add to the present value of the cash flows relating to the explicit forecast period of the plan, the terminal value discounted net of the net financial position. It was basically carried out an estimation to estimate the equity value.

For the Company Aeffe Retail S.p.A., subjected to impairment test emerges a lasting loss in value of EUR 6,806 thousand.

Trade and other receivables

Receivables are stated at their estimated realisable value, being their nominal value less the allowance for collection losses on doubtful accounts. They are review regularly in terms of ageing and seasonality in order to avoid adjustments for unexpected losses. Non-current receivables that include an element of embedded interest are discounted using a suitable market rate. This caption also includes the accrued income and prepaid expenses recorded to match income and costs relating to more than one year in the accounting periods to which they relate.

Inventories

Inventories are recorded at purchase or production cost or, if lower, at their market or estimated realisable value. Net realisable value is the estimated selling price under normal operating conditions, net of completion costs and all other selling-related expenses.

The cost of production of finished products includes the cost of raw materials, outsourced materials and processing, and all other direct and indirect manufacturing costs reasonably attributable to them, with the exclusion of financing costs.

Obsolete and slow-moving inventories are written down to reflect their likely use or realization.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and all highly liquid investments with an original maturity of three months or less. Securities included in cash and cash equivalents are measured at their fair value.

Provisions

The provisions for risks and charges cover known or likely losses or charges, the timing and extent of which cannot be determined at period end. Provisions are recorded only when there is a legal or implicit obligation that, to be settled, requires the consumption of resources capable of generating economic benefits, and the amount concerned can be estimated reliably. If the effect is significant, provisions are calculated by discounting expected future cash flows using a pre-tax rate that reflects the current market assessment of the present value of money and the specific risks associated with the liability.

Employee benefits

Employee severance indemnities are covered by IAS 19 ("Employee Benefits") since they are deemed to be a form of defined benefit plan. Company contributions to defined benefit plans are charged to the income statement on an accruals basis.

The Company's net liability for defined benefit plans is determined on an actuarial basis, using the projected unit credit method. All actuarial gains and losses determined as of 1st January 2005, the IFRS transition date, have been recognised.

Financial payables

Financial payables, excepting derivates, are recorded at their fair value, after transactions costs directly attributable.

Bank overdrafts and loans

Loans are initially measured at cost, which approximates their fair value, net of any transaction-related expenses. Subsequently, they are measured at amortised cost. Any difference between cost and the redemption value is recorded in the income statement over the duration of the loan, using the effective interest method.

Loans are classified as current liabilities unless the Company has an unconditional right to defer their settlement for at least twelve months subsequent to the accounting reference date.

Trade and other payables

Payables are stated at the nominal value. The financial element embedded in non-current payables is separated using a market rate of interest.

Treasury shares

Treasury shares are presented as a deduction from capital for the part of their nominal value, and from a specific reserve for the part in excess to their nominal value.

Contributions to the capital account and for overheads

Any public contributions are reported when there is a reasonable certainty that the Company will meet all the conditions foreseen to receive the contributions and actually receives them. The Company has opted to present any contributions to the capital account in the financial statement as items in adjustment of the book value of the property to which they refer, and any contributions to overhead as a direct deduction from the relative cost.

Revenues

Revenues from sales and services derive mainly from the sale of goods with the recognition of "at poin in time" revenues when the asset was transferred to the customer. This is provided for both the Wholesale distribution (shipment of goods to the customer, and for retail distribution when the asset is sold through a physical store. With regard to the export of goods, the control can be transferred in various stages depending on the type of product). Incoterm applied to the specific customer. This premise leads to a limited judgment on the identification of the control passage of the asset and the consequent recognition of the revenue.

Most of the Company's revenues derive from list prices that can vary depending on the type of product, brand and geographical region. Some contracts with the Group's Retail Company provide for the transfer of control with the right of return.

Costs

Costs and expenses are recorded on an accruals basis.

The costs incurred during the year for the creation and production of samples are matched with revenues from the sales of the related collections; accordingly, they are charged into the Income Statement in proportion to the revenues made. The residual costs to be expensed, where the related revenues are made, are classified as other current assets.

Financial income and expense

This comprises all the financial items recorded in the Income Statement for the year, including the interest accrued on financial payables using the effective interest method (mainly bank overdrafts, long-term loans), exchange gains and losses, dividend income, and the lease interest identified using finance lease accounting (IAS 17).

Interest income and expense is recorded in the Income Statement of the year in which it is earned/incurred.

Dividends are recognised in the year in which the Company's right to collect them is established (when they are declared).

The amount of interest payable on finance leases is booked to the Income Statement using the effective interest methos.

Taxes

Income taxes for the period include all taxes calculated on taxable income. Income taxes for the period are recorded in the income statement.

Taxes other than income taxes, such as property tax, are reported under operating expenses or, if the necessary conditions are fulfilled, are capitalized in the related real estate.

Current taxes on income taxable in the period represent the tax burden calculated using current rates of taxation in force on the balance sheet date.

Deferred taxes are recognised for all temporary differences existing on the balance sheet date between the book value of assets and liabilities and the corresponding values used to determine taxable income for tax purposes.

Payables for deferred taxes relate to:

- positive components of income for the current period but taxable in future periods;
- negative components of income deductible in excess compared to the amount recorded in the income statement as a result of the application of the International Accounting Standards.

Receivables for deferred taxes are recognised:

- for all negative components of income non-deductible in the period under examination but that could be deducted in future periods;
- for the carryover of unused tax losses, if it is probable that taxable income, for which the tax loss may be used, will be generated.

Credits for deferred tax assets and debits for deferred tax liabilities are calculated based on the rates of taxation applicable to tax calculation on income in periods in which temporary differences are reversed, based on the rate of taxation and tax regulations in force on the balance sheet date.

The impact on these taxes of any change in rates of taxation is posted to the income statement in the period in which the change occurs.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding.

Main estimates used by the Management

Hereafter we report the main estimates and assumptions used by the Management to draft the financial statements, whose variations, not foreseeable at the moment, could affect the economic and equity situation of the Company.

- **Estimates used to evaluate value impairment of assets other than financial assets**

For the purpose of ascertaining any impairment of value of assets other than current assets entered in the financial statement, the Company applied the method described above in the paragraph entitled "Determination of recoverable value (Impairment)".

In particular, regarding the impairment tests related to equity investments, the main estimations used are the following:

Equity investment in Aeffe Retail S.p.A.: the evaluation emerges from the cash flow analysis of the individual companies. The cash flows have been gathered, for the year 2023, by the Group budget. It has been also estimated cash flow projections for the years 2024, 2025, 2026 and 2027 at an average growth flat basically stable compared to that used for the 2023 budget. The terminal value has been determined using the formula of perpetual annuity and assuming, prudentially, a growth rate G equal to 0. The cash flow useful to determine the terminal value has been gathered by the latest year of the cash flow projections, that is 2027. The rate used for the cash flow discounting back is the weighted average cost of capital (WACC), equal to 8.40% (6.50% as of 31/12/21).

IFRS 16

The transition to IFRS 16 introduces some elements of professional judgment which involve the definition of some accounting policies and the use of assumptions. The main ones are summarized below:

- Lease term: the identification of the duration of the rental contract is a very relevant issue since the form, legislation and commercial practices on property rental contracts vary significantly from one jurisdiction to another and the assessment of the effects of the renewal options at the end of the non-cancellable period on the lease term estimate entails the use of assumptions. In fact, for the definition of the lease term, the Company considered the presence of renewal and cancellation options respectively for the lessee, the lessor or both. In the presence of renewal options exercisable by both contractual parties, it considered the existence or not of significant economic disincentives in refusing the renewal request as required by paragraph B34 of IFRS 16. In the presence of options exercisable only by one of the two parties considered paragraph B35 of IFRS 16. The application of the above, taking into account the specific facts and circumstances as well as the estimate that the option is reasonably certain, has meant that, for contracts with an annual duration renewable automatically unless canceled, an average duration of ten years was considered, basing this choice on historical evidence while in other cases if it is only the Company that can exercise the option, a duration was considered until the second renewal provided for in the contract, based on the historical evidence and the fact that renewal beyond the second period cannot be considered reasonably certain.

- Definition of the discount rate: since in most of the rental contracts stipulated by the Company, there is no implicit interest rate, the Company has calculated an incremental Borrowing Rate-IBR. In order to determine the IBR to be used for discounting future rent payments, the Company has identified each country as a portfolio of contracts with similar characteristics and has determined the relative IBR as the rate of a risk-free instrument of the respective country in which the contract was stipulated, based on the different contractual deadlines. The weighted average IBR applied during the transition was 2.22%, while the weighted average IBR as at 31/12/22 amounts to 2.36%.

- Activities by right of use: the Company detects activities by right of use on the lease start date (ie on the date on which the underlying asset is available for use). The right of use activities that fall under the definition of investments in real estate activities are classified in this balance sheet item. The assets by right of use are measured at cost, net of accumulated depreciation, of accumulated impairment losses and modified for any re-measurement of the leasing liability. The cost of the assets by right of use includes the initially recognized value of the leasing liability, initial direct costs incurred, the payments due for the leasing made on the date or before the effective date net of the leasing incentives received. Unless the Company is reasonably certain that it purchases the leased asset at the end of the lease contract, the assets by right of use are amortized linearly in the shorter period between the duration of the contract and the useful life of the leased asset. The value of the asset by right of use is subject to verification to detect any impairment. The value of the right-of-use asset includes the value of the key money which is amortized on a straight-line basis with the related right-of-use. The value of the Key money is subjected to impairment tests to detect any loss in value.

- Leasing liabilities: at the start date of the leasing contract, the Company recognizes the leasing liability measured as the present value of future residual payments until the end of the contract. Future payments include fixed payments, net of any leasing incentives to be received, variable payments that depend on an index or rate and the amounts that the Company is expected to pay as guarantees of the residual value. Future payments also include the exercise price of the purchase option, if the Company has reasonable certainty to exercise the option and the leasing termination penalty payments, if the Company has reasonable certainty to exercise the resolution option. . Variable payments, which do not depend on an index or rate, but which for the Company mainly depend on the volume of sales, continue to be recorded as costs in the income statement, among the costs for services. To calculate the present value of future payments, the Company uses the Incremental Borrowing rate (IBR) on the contract start date. Subsequently, the leasing liability is increased for interest and decreased for payments made. In addition, the leasing liability is remeasured to take into account changes to the terms of the contract.

- Short term leases and low value assets leases: the Company avails itself of the exemption from the application of IFRS 16 for short-term contracts (less than 12 months) and for contracts in which the individual leased asset is of small value . The payments of the fees of these contracts are accounted for linearly as costs in the income statement, based on the terms and conditions of the contract.

- As of 2019, IFRS 16 requires the recognition of an asset for the right of use and a liability for the obligation to pay leasing installments in the financial statements. Any impairment of the asset for the right of use must be calculated and recognized in accordance with the provisions of IAS 36. The Key money (CGU) are subjected to impairment tests in the presence of triggering events (in to the individual asset for right of use) identified by a possible loss of value and reported by the following key performance indicators:

- divestment plans;

- performance indicators below expectations;

- operational losses.

The impairment test is carried out in the following ways:

- calculation of the value in use of the CGUs excluding from cash flows those connected to the leasing liability;

- calculation of the fair value of the CGU by discounting future rental rates at market value

- calculation of the recoverable value as the greater of value in use and fair value

- comparison of the recoverable value with the book value of the CGU, the latter calculated net of the book value of the leasing liability.

In calculating the value in use, the discount rate used is the Company WACC.

- **Estimates used for actuarial calculation serve to calculate the benefit plans in the sphere of future benefits of the working relationship:**

– The inflation rate foreseen is 2.30%;
– The discount rate used is 3.63%;
– The annual rate in increase of the severance indemnity fund foreseen is 3.2250%;
– The expected Company's turn-over of employees is 6%.

- **Estimates used in the actuarial calculations to determine the supplementary clientele severance indemnity fund:**

– The voluntary turnover rate foreseen is 0.00%;
– The corporate turnover rate foreseen is 5.00%;
– The discount rate used is 3.63%;

OTHER INFORMATION

Management of financial risk

The financial risks to which the Company is exposed in the performance of its business are as follows:

- risk of liquidity
- market risk (inclusive the exchange risk, rate risk, price risk);
- credit risk;

Liquidity and market risk

Management of the financial needs and relative risks (mainly rate and exchange risks) is handled at the level of the central treasury on the basis of the guidelines established by the Managing Director and approved by the Chief Executive Officer.

The main goal of these guidelines consists of:

(i) **Liquidity risk**

The Company manages the liquidity risk with a view to guarantee the presence of a liability structure in balance with the asset composition of the financial statement, in order to maintain an elevated solid equity.

(ii) **Exchange risk:**

The Company operates internationally and is therefore exposed to the exchange risk. The exchange risk arises when assets and liabilities are reported in a currency other than that in which the Company operates.

The mode of management of this risk consists of minimizing the risk connected with exchange rates by using operating coverage. Alternatively, the Company, if exposed to the exchange risk, covers itself by loans in foreign currency.

(iii) **Rate risk:**

The interest rate risk to which the Company is exposed originates mainly from the medium and long-term financial payables in existence, that are almost all at variable rates and expose the Company to the risk of variation in cash flows as the interest rates vary.

The average cost of indebtedness tends to be parametrized with the status of the EURIBOR rate at 3/6 months, plus a spread that depends mainly on the type of financial instrument used.

The *cash flow risk* on interest rates has never been managed in the past with recourse to derivative contracts - *interest rate swaps* - that would transform the variable rate into a fixed rate. As of 31 December 2022 there are no instruments that hedge interest-rate risk.

(iv) **Price risk**

The Company makes its purchases and sales worldwide and is therefore exposed to the normal risk of variations in price, typical of the sector.

Credit risk

With reference to receivables in Italy, the Company deals only with known and reliable clients. It is a policy of the Company that clients requesting extended payment terms are subject to procedures of audit of the class of merit. Moreover, the balance of receivables is monitored during the year to ensure that the doubtful positions are not significant.

The credit quality of unexpired financial assets and those that have not undergone value impairment can be valued with reference to the internal credit management procedure.

Customer monitoring activity consists mainly of a preliminary stage, in which we gather data and information about new clients, and a subsequent activation stage in which a credit is recognized and the development of the credit position is supervised.

The preliminary stage consists of collecting the administrative and fiscal data necessary to make a complete and correct assessment of the risks connected with the new client. Activation of the client is subject to the completeness of the data and approval, after any further clarification by the Customer Office.

Every new customer has a credit line: its concession is linked to further information (years in business, payment terms, and customer’s reputation) all of which are essential to make an evaluation of the level of solvency. After gathering this information, the documentation on the potential customer is submitted for approval by the company organizations.

Management of overdue receivable is differentiated depending on the seniority of the client (overdue payment group).

For overdue payments up to 60 days, reminders are sent through the branch or directly by the Customer Office; clearly, if an overdue payment exceeds 15 days or the amount of the credit granted, all further supplied to the client are suspended. For overdue credits "exceeding 90 days", where necessary, legal steps are taken.

As regards foreign receivables, the Company proceeds as follows:

a) some of foreign receivables are guaranteed by primary credit insurance companies.
b) the residual uninsured part of receivables is managed:
    a. Most of them by request of letter of credit and 30% advances within two weeks of the order confirmation;
    b. The residual receivables not covered by insurance nor by request of letter of credit or by advance, are specifically authorized and managed following the procedure for Italian receivables.

This procedure serves to define the rules and operating mechanisms that guarantee a flow of payments sufficient to ensure the solvency of the client and guarantee the Company an income from the relationship.
As of the reference date of the financial statement, the maximum credit risk exposure was equal to the value of each category of receivable indicated here below:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Trade receivables	78,011	37,216	40,795	109.6%
Other current receivables	14,017	12,766	1,251	9.8%
Total	**92,028**	**49,982**	**42,046**	**84.1%**

See note 8 for the comment and breakdown of the item "trade receivables" and note 11 for "other current receivables".
The fair value of the above categories has not been indicated, as the book value is a reasonable approximation.
As of 31 December 2022, overdue but not written-down trade receivables amount to EUR 42,241 thousand (EUR 30,051 thousand in 2021). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2022	31 December 2021	31 December Δ	Change %
By 30 days	4,115	8,086	(3,971)	(49.1%)
31 - 60 days	3,940	1,886	2,054	108.9%
61 - 90 days	5,554	2,353	3,201	136.0%
Exceeding 90 days	28,632	17,726	10,906	61.5%
Total	**42,241**	**30,051**	**12,190**	**40.6%**

The increase of expired receivables of EUR 12,190 thousand mainly relates to receivables from group companies following the merger by incorporation of the subsidiary Velmar S.p.A.

No risks of default with respect to such overdue receivables have to be highlighted.

Cash flow statement

The cash flow statement presented by the Company in accordance with IAS 7 has been prepared using the indirect method. The cash and cash equivalents included in the cash flow statement represent the amounts reported in the balance sheet at the accounting reference date. Cash equivalents comprise short term and highly liquid applications of funds that can be readily converted into cash; the risk of changes in their value is minimal. Accordingly, a financial investment is usually classified as a cash equivalent if it matures rapidly, i.e. within three months or less of the acquisition date.

Bank overdrafts are generally part of financing activities, except when they are repayable on demand and are an integral part of the management of a company's cash and cash equivalents, in which case they are classified as a reduction of its cash equivalents.

Foreign currency cash flows have been translated using the average exchange rate for the year. Income and expenses deriving from interest, dividends received and income taxes are included in the cash flows from operating activities.

Under IAS 7, the cash flow statement must identify separately the cash flow deriving from operating, investing and financing activities:

(i) cash flow from operating activities: the cash flow deriving from operating activities mainly relates to income-generating activities and is presented by the Company using the indirect method; on this basis, net profit is adjusted for the effects of items that did not give rise to payments or cash inflows during the year (non-monetary transactions);

(ii) cash flow from investing activities: investing activities are presented separately since, among other factors, they reflect the investment/disposals made in order to obtain future revenues and cash inflows;

(iii) cash flow from financing activities: financing activities comprise the cash flows that modify the size and composition of shareholders' equity and financial payables.

COMMENTS ON THE BALANCE SHEET

NON-CURRENT ASSETS

1. Intangible fixed assets

The composition of intangible fixed assets is analysed in the following table, together with the changes that took place during the year:

(Values in thousands of EUR)	Brands	Other	Total
Net book value as of 01.01.21	**2,771**	**669**	**3,440**
Increases externally acquired	-	351	351
Disposals	-	-	-
Amortisation	(126)	(379)	(505)
Net book value as of 31.12.21	**2,645**	**641**	**3,286**
Increases externally acquired	-	569	569
Increases merger	-	89	89
Disposals	-	-	-
Amortisation	(125)	(442)	(567)
Net book value as of 31.12.22	**2,520**	**857**	**3,377**

Brands

This caption is related to the value of the brand owned by the Company: "Alberta Ferretti".

The residual amortisation period for this caption is 20 years.

Other

The caption "Other" relates to user licenses for software.

2. Tangible fixed assets

The composition of tangible fixed assets is analysed in the following table:

(Values in thousands of EUR)	Lands	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Total
Net book value as of 01.01.21	**17,320**	**22,112**	**767**	**1,535**	**64**	**643**	**42,441**
Increases	-	343	92	52	22	207	716
Disposals	-	-	-	-	-	(34)	(34)
Depreciation	-	(607)	(174)	(302)	(36)	(187)	(1,306)
Net book value as of 31.12.21	**17,320**	**21,848**	**685**	**1,285**	**50**	**629**	**41,817**
Increases	-	3	31	124	12	132	302
Increases merger	-	-	35	-	2	59	96
Disposals	-	-	(1)	-	(1)	(29)	(31)
Depreciation	-	(611)	(148)	(302)	(26)	(200)	(1,287)
Net book value as of 31.12.22	**17,320**	**21,240**	**602**	**1,107**	**37**	**591**	**40,897**

Tangible fixed assets have changed mainly as follows:

- Increases of EUR 302 thousand for new investments. These primarily include improvements to the building and leasehold, information tools and general and specific plant and machinery.
- Increases of EUR 96 thousand following the merger by incorporation of the subsidiary Velmar S.p.A.
- Decreases of EUR 31 thousand in IT equipment and general plant engineering.
- Depreciation of EUR 1,287 thousand, charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category (see the accounting policies relating to tangible fixed assets for further details).

3. *Right-of-use assets*

The following table details its composition and movements:

(Values in thousands of EUR)	Buildings	Car	Other	Total
Net book value as of 01.01.21	**12,169**	**267**	**703**	**13,140**
Increases	-	132	613	745
Disposals	-	-	-	-
Translation differences and other variations	-	-	-	-
Depreciation	(1,340)	(154)	(379)	(1,872)
Net book value as of 31.12.21	**10,830**	**245**	**938**	**12,013**
Increases	515	846	-	1,361
Disposals	(3,086)	-	(20)	(3,106)
Translation differences and other variations	-	-	-	-
Depreciation	(1,515)	(368)	(385)	(2,268)
Net book value as of 31.12.22	**6,743**	**723**	**533**	**7,999**

The item Buildings includes Activities by right of use relating mainly to shop rental contracts to a residual extent relating to rental contracts for offices and other spaces.

The decrease in the item Buildings is linked to the updating and redefinition of the depreciation plans.

4. *Equity investments*

This caption comprises the investments held in subsidiary and associated companies. A complete list, together with the information requested by Co.N.So.B, is presented in Attachment I.

Equity investments moves of EUR 15,062 thousand due to the following write-downs:

- elimination of the value of the shareholding in the subsidiary Velmar S.p.A. equal to EUR 8,290 thousand following the merger by incorporation of Aeffe S.p.A.;
- Write-down of the investment in Aeffe Retail for EUR 6,806 thousand following the loss reported in the previous year which led to a reduction in value and the impairment test carried out;
- subscription of the investment in Aeffe Netherlands BV for EUR 25 thousand. Company wholly owned by Aeffe S.p.A. which manages an outlet in Roermond in the Netherlands and markets clothing and accessories for the Group's brands

5. *Other fixed assets*

This caption principally includes amounts due by subsidiaries.

6. *Deferred tax assets and liabilities*

This caption is analysed below as of 31 December 2022 and 2021:

(Values in thousands of EUR)	Receivables		Liabilities	
	2022	2021	2022	2021
Tangible fixed assets	-	-	(17)	(17)
Intangible fixed assets	3	-	(130)	(130)
Provisions	362	354	(6)	-
Costs deducible in future periods	399	918	-	-
Income taxable in future periods	-	-	(137)	(192)
Tax losses carried forward	-	398	-	-
Other tax assets (liabilities) from transition to IAS	986	1,087	(6,549)	(6,462)
Total	**1,750**	**2,757**	**(6,839)**	**(6,801)**

The decrease in deferred tax credits for tax losses carried forward refers to the use of tax losses carried forward.

Changes in temporary differences during the year are shown in the following table:

(Values in thousands of EUR)	Opening balance	Incorporation Merge	Recorded in the income statement	Other	Closing balance
Tangible fixed assets	(17)	-	-	-	(17)
Intangible fixed assets	(130)	3	-	-	(127)
Provisions	354	341	(339)	-	356
Costs deducible in future periods	918	5	(524)	-	399
Income taxable in future periods	(191)	-	54	-	(137)
Tax losses carried forward	396	-	-	(396)	-
Other tax assets (liabilities) from transition to IAS	(5,374)	(3)	(154)	(32)	(5,563)
Total	**(4,044)**	**346**	**(963)**	**(428)**	**(5,089)**

The negative change not recorded in the income statement amounting to 428 thousand EUR is mainly due to the use of deferred tax assets on previous losses.

Deferred tax assets have been determined estimating the future recoverability of such activities.

CURRENT ASSETS

7. Stocks and inventories

This caption comprises:

(Values in thousands of EUR)	31 December 2022	Increases by merger incorporation Velmar Spa	31 December 2021	Change Δ	%
Raw, ancillary and consumable materials	6,671	1,331	4,368	972	22.3%
Work in progress	5,762	758	4,631	373	8.1%
Finished products and goods for resale	21,594	1,907	20,314	(627)	(3.1%)
Advance payments	16	12	15	(11)	(73.3%)
Total	**34,043**	**4,008**	**29,328**	**707**	**2.4%**

Raw materials and work in progress products mainly concern the Spring/Summer collections 2023, while finished products mainly relate to the Autumn/Winter 2022 and to the Spring/Summer 2023 collections and to the Autumn/Winter 2023 samples collections.

Inventories are valued at the lower value between of cost and net realizable value.

The value of inventories shows an increase of EUR 4,715 thousand compared to the value of the previous year following the merger by incorporation of the subsidiary Velmar S.p.A. and following the increase in production volumes.

The total value of inventories of EUR 34,043 is already indicated at the value net of the obsolescence provision equal to EUR 1,917 thousand. The obsolescence provision reflects the best estimate made by management on the basis of the breakdown by year and season of inventories, on considerations deduced from past experience of sales through alternative channels and future prospects for sales volumes.

Movements for 2022 are shown below:

(Values in thousands of EUR)	31 December 2021	Increases by merger incorporation Velmar Spa	Decrese/Other variations	31 December 2022
Allowance for doubtful inventories	2,300	1,200	(1,583)	1,917
Total	**2,300**	**1,200**	**(1,583)**	**1,917**

8. *Trade receivables*

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Customers receivables	17,595	5,406	12,189	225.5%
Subsidiaries receivables	61,899	32,797	29,102	88.7%
Parent Company receivables	3	13	(10)	(76.9%)
(Allowance for doubtful receivables)	(1,486)	(1,000)	(486)	48.6%
Total	**78,011**	**37,216**	**40,795**	**109.6%**

Trade receivables amount to EUR 78,011 thousand at 31 December 2022, showing an increase by 109.6% compared to the value at 31 December 2021, determined by the increase in sales volume and by the merger by incorporation of Velmar S.p.A. equal to EUR 18,479 thousand.

The allowance for doubtful receivables was determined by reference to a detailed analysis of the available information and, in general, is based on historical trends.

The following table shows changes in the allowance for doubtful accounts:

(Values in thousands of EUR)	31 December 2021	Increases by merger incorporation Velmar Spa	Increases	Decreases	31 December 2022
(Allowance for doubtful account)	1,000	274	667	(457)	1,484
Total	**1,000**	**274**	**667**	**(457)**	**1,484**

9. *Tax receivables*

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
VAT	4,193	1,336	2,857	213.8%
Corporate income tax (IRES)	2,659	2,758	(99)	(3.6%)
Local business tax (IRAP)	334	275	59	21.5%
Other tax receivables	1,099	580	519	89.5%
Total	**8,285**	**4,949**	**3,336**	**67.4%**

The variation of tax receivables is primarily due to the decrease of group VAT credit.

10. Cash

This caption comprises:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Bank and post office deposits	5,749	3,980	1,769	44.4%
Cash in hand	13	12	1	8.3%
Total	**5,762**	**3,992**	**1,771**	**44.4%**

Bank and postal deposits represent the nominal value of the current account balances with banks, including the interest accrued at period end. Cash and cash equivalents represent the nominal value of the cash held at period end.

The increment of cash registered at 31 December 2022, EUR 1,771 thousand, compared to the previsions year, is of which EUR 734 thousand are determinated from the merger by incorporation of Velmar S.p.A..

The reasons for this are analyzed in the cash flow statement.

11. Other receivables

This caption comprises:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Credits for prepaid costs	12,644	10,742	1,902	17.7%
Advances to suppliers	98	91	7	7.7%
Accrued income and prepaid expenses	477	547	(70)	(12.8%)
Other	798	1,386	(588)	(42.4%)
Total	**14,017**	**12,766**	**1,251**	**9.8%**

Credits for prepaid costs are related to the costs for design and making samples for the Spring/Summer 2023 and Autumn/Winter 2023 collections, for which the corresponding revenues from sales have not been realised yet. The increase of EUR 1,902 thousand's determinated from the merger by incorporation of Velmar S.p.A..

Accrued income and prepaid expenses refer mainly to owed rent, insurance premium, maintenance and subscriptions fees.

The item "Other" mainly refers to trade receivables for credit notes relating to returns of materials / finished products and discounts on purchases and receivables vs. Social security institutions.

12. SHAREHOLDERS' EQUITY

The main elements comprising shareholders' equity as of 31 December 2022 are described below.

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ
Share capital	24,606	24,917	(311)
Share premium reserve	67,599	69,334	(1,735)
Other reserves	4,979	20,899	(15,920)
Fair value reserve	7,742	7,742	-
Legal reserve	4,032	4,032	-
IAS reserve	(90)	(116)	26
Reamisurement of defined benefit plans reserve	(755)	(864)	109
Extraordinary reserve from realignment of D.L. 104/2020	3,807	3,807	-
Profits/(Losses) carried-forward	2,375	2,348	27
Net profit / (loss)	(5,335)	(15,920)	10,585
Incorporation merger (NST and Velmar) reserve	16,286	404	15,882
Total	**125,246**	**116,583**	**8,663**

Share capital

Share capital as of 31 December 2022, totally subscribed and paid, (gross of treasury shares) totals EUR 26,841 thousand, and is represented by 107,362,504 shares, par value EUR 0,25 each. At 31 December 2022 the Company holds 8,937,519 treasury shares, the representing the 8.325% of its share capital.

There are no shares with restricted voting rights, without voting rights or with preferential rights. During 2022, 1,244,452 treasury shares were purchased by the Company for a total value of EUR 2,046 thousand.

Share premium reserve

The variation in the share premium reserve amounts to EUR 1,735 thousand and it is related to the purchase of treasury shares made during the year.

Other reserves

The reserve changed as a result of the coverage of losses for the year 2021 for EUR 15,920 thousand.

We specify that reserves haven't changed for income or expenses recognized directly in equity.

Fair value reserve

The fair value reserve derives from the application of IAS 16 in order to measure the land and buildings owned by the Company at their fair value, as determined with reference to an independent appraisal.

Legal reserve

The legal reserve amounts to EUR 4,032 thousand at 31 December 2022 and has not changed compared to the year 2021.

IAS reserve

The IAS reserve, formed on the first-time adoption of IFRS, reflects the differences in value that emerged on the transition from ITA GAAP to IFRS. The differences reflected in this equity reserve are stated net of tax effect, as required by IFRS 1.

Reamisurement of defined benefit plans reserve

The remeasurement of defined benefit plans reserve, formed as a result of the application, from 1st January 2014 (retrospectively), of the amendment to IAS 19, changes of EUR 109 thousand compared to the value at 31 December 2021.

Extraordinary reserve from realignement of D.L. 104/2020

The Extraordinary reserve from realignement amounts to EUR 3,807 thousand at 31 December 2002 and has not changed compared to the year 2021.

The Company has made use of the right to realign the civil and fiscal values relating to business assets, as required by Article 110, paragraph 8 of the Legislative Decree 104 of 14 August 2020 (the so-called August Decree), converted into Law no. 126, with reference to the building of the registered office.

Profits/(Losses) carried-forward

The Profits/(losses) item at 31 December 2022, amounts to EUR 2,375 thousand and it's increased by EUR 27 thousand compared to 31 December 2021 as a result of the merger by incorporation of Velmar S.p.A.

Net Profit /loss

This caption highlights a net loss of EUR 5,335 thousand.

Merger Reserve

The merger by incorporation reserve is increased by EUR 15,882 as a result of the merger by incorporation of the subsidiary Velmar S.p.A.

Information on distributable reserves

The following schedule provides information on the way each equity reserve can be used and/or distributed, together with how they have been used in the past three years.

(Values in thousands of EUR)	Amount	Possible uses	Amount distributable	Uses in prior years		
				To cover losses	For capital increases	For distribution to shareholders
Share capital	24,606					
Legal reserve	4,032	B				
Share premium reserve:						
- including	66,710	A,B,C	66,710			
- including	889	B				
Other reserves:						
- inc. extraordinary reserve	4,979	A,B,C	4,979	36,949		
IAS reserve (art.6 D.Lgs. 38/2005)	(90)	B				
Fair Value reserve (art. 6 D.Lgs. 38/2005)	7,742	B				
Remeasurement of defined benefit plans reserve	(755)	B				
Merger reserve (NST + VELMAR)	16,286	A,B,C				
Profit/(losses) carried-forward	2,375	A,B,C	2,348			
Riserva straordinaria da riallineamento D.L. 104/2020	3,807	A,B,C				
Total	**130,581**		**74,037**	**36,949**	**-**	**-**

LEGEND: A (for capital increases); B (to cover losses); C (for shareholder distribution)

<u>Restricted Reserves</u>

Pursuant to art. 109.4.b) of the Consolidated Income Tax Law approved by Decree 917 dated 22 December 1986, as modified by Decree 344 dated 12 December 2003, the restricted reserves as of 31 December 2022 amount to EUR 1,302 thousand.

In addition, the Company has made use of the right to realign the civil and fiscal values relating to business assets, as required by Article 110, paragraph 8 of the Legislative Decree 14 August 2020 n. 104 (the so-called August Decree), converted into Law no. 126, with reference to the building of the registered office and a reserve in tax suspension (using part of the extraordinary reserve) for EUR 3,807 thousand was bound.

These constraints, in the event of insufficient reserves and distributable profits, entail being subject to taxation in the event of distribution.

NON-CURRENT LIABILITIES

13. Provisions

The changes in the various provisions are analysed below:

(Values in thousands of EUR)	31 December 2021	Increases	Decreases	31 December 2022
Pensions and similar obligations	53	565	416	1,034
Other	5,452	1,630	(3,835)	3,247
Total	**5,505**	**2,195**	**(3,419)**	**4,281**

The agents' termination indemnities reflect an estimate of the costs to be incurred on the termination of agency contracts, considering legal requirements and all other useful information, such as historical experience, the average duration of agency contracts and their rate of turnover. The amount stated represents the present value of the payments required to settle the obligation.

The merger by incorporation of the subsidiary Velmar S.p.A. resulted in an increase in the pensions and similar obligations of EUR 264 thousand.

The section on "Contingent liabilities" describes the tax contingencies that are not covered by provisions since the Company is unlikely to incur charges in relation to them.

The “Other” provisions refer to the write-downs of the the following equity investments for the portion exceeding their historical cost:

- Aeffe France S.a.r.l. EUR 399 thousand;
- Aeffe Uk L.t.d. EUR 1,231 thousand;

The "Other" decreases refer to the release of the provisions set aside in 2021 for the following subsidiaries:

- Aeffe Japan L.t.d. EUR 2,254 thousand;
- Aeffe France S.a.r.l. EUR 1,164 thousand;
- Aeffe Shangai L.t.d. EUR 416 thousand.

14. Post-employment benefits

The severance indemnities payable on a deferred basis to all employees are deemed to represent a defined benefits plan (IAS 19), since the employer's obligation does not cease on payment of the contributions due on the remuneration paid, but continue until termination of the employment relationship.

For plans of this type, the standard requires the amount accrued to be projected forward in order to determine the amount that will be paid on the termination of employment, based on an actuarial valuation that takes account of employee turnover, likely future pay increases and any other applicable factors. This methodology does not apply to those employees whose severance indemnities are paid into approved supplementary pension funds which, in the circumstances, are deemed to represent defined contributions plans.

The main changes are described below:

(Values in thousands of EUR)	31 December 2021	Increases	Decreases / Other changes	31 December 2022
Post employment benefits	3,077	233	(740)	2,570
Total	**3,077**	**233**	**(740)**	**2,570**

Increases include the share of post employment benefits matured in the year and the related revaluation, while the entry decreases/other changes includes the decrease for the liquidation of the post employment benefits and the actuarial variation.

The value of the provision deriving from the merger by incorporation of the subsidiary Velmar S.p.A. amounts to EUR 112 thousand.

15. Non-current financial liabilities

Non-current financial payables are analysed in the following table:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Loans from financial institutions	56,362	62,379	(6,017)	(9.6%)
Lease liabilities	7,395	12,036	(4,641)	(38.6%)
Amounts due to other creditors	19,805	37,670	(17,865)	(47.4%)
Total	**83,562**	**112,085**	**(28,523)**	**(25.4%)**

The entry "Loans from financial institutions" relates to the portion of bank loans due beyond 12 months. All other operations are unsecured loans and bank finance not assisted by any form of security and they are not subject to special clauses, except for the early repayment clauses normally envisaged in commercial practice.

The only exception is a mortgage loan on the property located in Gatteo headquarters of the subsidiary Pollini S.p.A. of EUR 15,000 thousand.

Furthermore, there are no covenants to comply with specific financial terms or negative pledges.

The merger by incorporation of the subsidiary Velmar S.p.A. determined an increase in the item payables to banks equal to EUR 9,587 thousand.

Lease liabilities relate to the application of IFRS 16.

The amounts due to other creditors mainly refer to bearing loans obtained from the subsidiaries Moschino S.p.A. and Aeffe Usa Inc.

The following table details the bank loans outstanding as of 31 December 2022, including both the current and the non-current portion:

(Values in thousands of EUR)	Total amount	Current portion	Non-current portion
Bank borrowings	72,002	15,640	56,362
Total	**72,002**	**15,640**	**56,362**

Maturities beyond five years amount to EUR 5,859 thousand.

16. Non-current not financial liabilities

Non-financial liabilities remain substantially unchanged from the previous year.

CURRENT LIABILITIES

17. Trade payables

This caption is analysed below on a comparative basis:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Payables for advances from costumers	3,292	1,740	1,552	89.2%
Payables with subsidiaries	62,724	43,023	19,701	45.8%
Payables with third parties	34,406	26,383	8,023	30.4%
Total	**100,422**	**71,146**	**29,276**	**41.1%**

Trade payables are due within 12 months and concern the debts for supplying goods and services.

The merger by incorporation of Velmar S.p.A. resulted in an increase of EUR 50 thousand for advances from customers, EUR 3,164 for payables with third parties and EUR 1,291 for payables to subsidiaries.

18. Tax payables

Tax payables are analysed on a comparative basis in the following table:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Amounts due to tax authority for withheld taxes	1,328	1,342	(14)	(1.0%)
Other	170	100	70	70.0%
Total	**1,498**	**1,442**	**56**	**3.9%**

19. Short-term financial liabilities

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Change Δ	%
Due to banks	47,590	24,684	22,906	92.8%
Lease liabilities	2,231	1,794	437	24.4%
Total	**49,821**	**26,478**	**23,343**	**88.2%**

Bank overdrafts include advances from banks, short-term loans and the current portion of long-term loans. Advances mainly comprise the drawdown against short-term lines of credit arranged to finance working capital.

Lease liabilities relate to the application of IFRS 16.

The merger by incorporation of the subsidiary Velmar S.p.A. determined in the "due to banks" item equal to EUR 501 thousand.

20. Other liabilities

Other current liabilities are analysed on a comparative basis in the following table:

(Values in thousands of EUR)	31 December	31 December	Change	
	2022	2021	Δ	%
Due to total security organization	1,834	1,746	88	5.0%
Due to employees	2,214	2,922	(708)	(24.2%)
Trade debtors - credit balances	3,126	2,892	234	8.1%
Accrued expenses and deferred income	5	5	-	n.a.
Other	318	510	(192)	(37.6%)
Total	**7,497**	**8,075**	**(578)**	**(7.2%)**

The amounts due to social security institutions, recorded at nominal value, relate to the social security charges on the wages and salaries of the Company's employees.

COMMENTS ON THE INCOME STATEMENT

21. Revenues from sales and services

In 2022, revenues went from Eur 114,173 thousand in 2021 to EUR 164,666 thousand in 2022, with an increase of 44.2%. In absolute terms, the increase of EUR 32,621 thousand is due to the merger by incorporation of the subsidiary Velmar S.p.A. and the remainder of EUR 17,872 thousand is due to the increase in sales volume.

41% of revenues are earned in Italy while 59% come from foreign markets.

Accounting Policy:

Revenues from sales and services derive mainly from the sale of goods with the recognition of "at point in time" revenues when the asset was transferred to the customer. With regard to the export of goods, the control can be transferred in various stages depending on the type of Incoterm applied to the specific customer. This premise leads to a limited judgment on the identification of the control passage of the asset and the consequent recognition of the revenue.

Determination of the transaction price:

Most of the Company's revenues derive from list prices that can vary depending on the type of product, brand and geographical region. Some contracts with the Group's Retail Companies provide for the transfer of control with the right of return.

Breakdown of revenues from sales and services (IFRS 15)

(Values in thousands of EUR) Full Year 2022	Prêt-à porter Division	Footwear and leather goods Division	Total
Geographical area	**139,933**	**24,733**	**164,666**
Italy	59,224	9,096	68,320
Europe (Italy excluded)	38,750	4,949	43,699
Asia and Rest of the World	36,685	8,782	45,468
America	5,274	1,905	7,179
Brand	**139,933**	**24,733**	**164,666**
Alberta Ferretti	15,199	1,379	16,578
Philosophy	13,793	842	14,635
Moschino	106,000	22,337	128,337
Other	4,942	175	5,116
Distribution channel	**139,933**	**24,733**	**164,666**
Wholesale	139,933	24,733	164,666
Timing of goods and services transfer	**139,933**	**24,733**	**164,666**
POINT IN TIME (transfer of significant risks and benefits connected to the property of the asset)	139,933	24,733	164,666

22. Other revenues and income

This caption comprises:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021	Change Δ	%
Rental income	3,985	3,881	104	2.7%
Other income	6,161	3,886	2,275	58.5%
Total	**10,146**	**7,767**	**2,379**	**30.6%**

The caption other income, which amounts to EUR 10,146 thousand in 2022, mainly refers to exchange gains on commercial transactions, provision of services and sales of raw materials and packaging.

The increase is linked to the merger by incorporation of Velmar S.p.A. for EUR 887 thousand.

23. Costs of raw materials

This caption comprises:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	65,187	47,111	18,076	38.4%
Total	**65,187**	**47,111**	**18,076**	**38.4%**

This caption mainly reflects the purchase of raw materials, such as fabrics, yarns, hides and accessories, finished products acquired for resale and packaging.

The increase in costs for raw materials is determined, in addition to the increase in sales volumes, by the merger by incorporation of Velmar S.p.A. for EUR 10,506 thousand.

24. Costs of services

This caption comprises:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021	Change Δ	%
Subcontracted work	17,902	13,391	4,511	33.7%
Consultancy fees	8,385	7,650	735	9.6%
Advertising	3,003	3,270	(267)	(8.2%)
Commission	8,185	3,233	4,952	153.2%
Transport	4,592	2,060	2,532	122.9%
Utilities	948	679	269	39.6%
Directors' and auditors' fees	2,510	2,578	(68)	(2.6%)
Insurance	279	170	109	64.1%
Bank charges	232	141	91	64.5%
Travelling expenses	630	428	202	47.2%
Other services	2,922	2,266	656	28.9%
Total	**49,588**	**35,866**	**13,722**	**38.3%**

Costs of services increase from EUR 35,866 thousand in the year 2021 to EUR 49,588 thousand in the year 2022, by 38.3%.

The variation is mainly due to the increase in “subcontracted work” , for "Premiums and commissions" and for "Transport" linked to the increase in sales volume.

It should be noted that the merger by incorporation of the subsidiary Velmar S.p.A. resulted in an increase in costs for services equal to EUR 6,862 thousand.

25. Costs for use of third parties assest

This caption comprises:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021	Change Δ	%
Rental expenses	338	347	(9)	(2.6%)
Royalties	14,939	7,667	7,272	94.8%
Hire charges and similar	166	361	(195)	(54.0%)
Total	**15,443**	**8,375**	**7,068**	**84.4%**

The increase in costs for the use of third party assets, in addition to being consequent to the increase in sales volumes, is partly determined by the merger by incorporation of Velmar S.p.A. for EUR 4,311 thousand.

26. Labour costs

This caption comprises:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021	Change Δ	%
Wages and payrolls	30,288	28,112	2,176	7.7%
Total	**30,288**	**28,112**	**2,176**	**7.7%**

Labour costs move from EUR 28,112 thousand in 2021 to EUR 30,288 thousand in 2022 with an increase of 7.7% resulting mainly from the merger by incorporation of the subsidiary Velmar S.p.A.

The applicable mainly national payroll agreement is the textile and clothing sector contract of January 2022.

The average number of employees in 2022 is analysed below:

(Average number of employees by category)	Full Year 2022	Full Year 2021	Change Δ	%
Workers	143	164	(21)	(12.8%)
Office staff - supervisors	383	358	25	7.0%
Executive and senior managers	16	17	(1)	(5.9%)
Total	**542**	**539**	**3**	**0.6%**

The merger by incorporation of the subsidiary Velmar S.p.A. resulted in an increase of 30 units (1 Executive and senior managers - 26 staff - 3 workers)

27. Other operating expenses

This caption comprises:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021	Change Δ	%
Taxes	545	514	31	6.0%
Gifts	188	195	(7)	(3.6%)
Other operating expenses	1,032	544	488	89.7%
Total	**1,765**	**1,253**	**512**	**40.9%**

The caption other operating expenses moves from EUR 1,253 thousand in 2021 to EUR 1,765 thousand in 2022.

It should be noted that the merger by incorporation of the subsidiary Velmar S.p.A. resulted in an increase in costs for services equal to EUR 127 thousand.

The item "Other operating expenses" mainly includes donations, contributions to trade associations and losses on exchange rates.

28. Amortisation and write-downs

This caption comprises:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021	Change Δ	%
Amortisation of intangible fixed assets	567	505	62	12.3%
Depreciation of tangible fixed assets	1,287	1,307	(20)	(1.5%)
Depreciation of right-of-use assets	2,268	1,872	396	21.2%
Write-downs and provisions	9,469	13,102	(3,633)	(27.7%)
Total	**13,591**	**16,786**	**(3,195)**	**(19.0%)**

The item went from EUR 16,786 thousand in 2021 to EUR 13,591 thousand in 2022.

The item "Write-downs and provisions" includes both the write-downs of the cost of the investments mentioned above and the additional provisions to the provision for risks to cover losses for the part of the write-down exceeding the historical cost of the investments themselves.

2022 write-downs are related to the subsidiaries Aeffe Retail S.p.A (EUR 6,807 thousand), Aeffe France (EUR 399 thousand), Aeffe UK (EUR 1,231 thousand).

2022 provisions are related to Aeffe Shanghai EUR 416 thousand.

Provisions for 2022 relate to allowance for doubtfull recivables for EUR 667 thousand and for EUR 781 thousand to the customer supplementary indemnity fund, of which EUR 65 thousand relating to the merger by incorporation of the subsidiary Velmar S.p.A.

29. Financial income/ expenses

The caption "Financial income" comprises:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021	Change Δ	%
Interest income	261	28	233	832.1%
Financial discounts	3	-	3	n.a.
Foreign exchange gains	-	40	(40)	(100.0%)
Financial income	**264**	**68**	**196**	**288.2%**
Bank interest expenses	1,911	493	1,418	287.6%
Foreign exchange losses	233	238	(5)	(2.1%)
Other expenses	304	109	195	178.9%
Financial expenses	**2,448**	**840**	**1,608**	**191.4%**
Leasing interest expenses	288	428	(140)	(32.7%)
Leasing interest expenses	**288**	**428**	**(140)**	**(32.7%)**
Totale	**2,472**	**1,200**	**1,272**	**106.0%**

Net financial moves from EUR 1,200 thousand in 2021 to EUR 2,472 thousand in 2022 with an increase of 106% mainly due to the increase in interest rates (Euribor)

30. Income taxes

This caption comprises:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021	Change Δ	%
Current income taxes	598	-	598	n.a.
Deferred income (expenses) taxes	962	2,393	(1,431)	(59.8%)
Total income taxes	**1,560**	**2,393**	**(833)**	**(34.8%)**

The changes in deferred income (expenses) taxes are analysed in the note on deferred tax assets and liabilities.

The effective tax rates for 2021 and 2022 are reconciled with the theoretical rate in the following table:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021
Profit before taxes	(3,775)	(18,314)
Theoretical tax rate	24.0%	24.0%
Theoretical income taxes (IRES)	**(906)**	**(4,395)**
Fiscal effect	2,128	2,135
Total income taxes excluding IRAP (current and deferred)	**1,222**	**(2,260)**
IRAP (current and deferred)	**338**	**(133)**
Total income taxes (current and deferred)	**1,560**	**(2,393)**

This reconciliation of the theoretical and effective tax rates does not take account of IRAP, given that it does not use profit before taxes to calculate the taxable amount. Accordingly, the inclusion of IRAP in the reconciliation would generate distorting effects between years.

31. Result per share

Reference earning/(loss)

The calculation of basic and dilutive earning/(loss) per share is based on the following elements:

(Values in thousands of EUR) From continuing and discontinued activities	Full Year 2022	Full Year 2021
From continuing activities		
Earning/(loss) for determining basic result per share	(5,335)	(15,920)
Earning/(loss) for determing result per share	**(5,335)**	**(15,920)**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(5,335)**	**(15,920)**
From continuing and discontinued activities		
Earning/(loss) for the period	(5,335)	(15,920)
Earning/(loss) from discontinued operations	-	-
Earning/(loss) for determining basic result per share	**(5,335)**	**(15,920)**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(5,335)**	**(15,920)**
Number of reference share		
Average number of shares for determing result per share	**98,425**	**99,669**
Share options	-	-
Average number of shares for determing diluted result per share	**98,425**	**99,669**

Basic earning/(loss) per share

Net loss attributable to holders of ordinary shares of the Company, amounts to EUR 5,335 thousand (December 2022: EUR -15,920 thousand).

Dilutive earning/(loss) per share

The calculation of diluted loss per share for the period January - December 2022, matches with the calculation of basic earnings per share, as there are no tools with potential dilutive effects.

COMMENTS ON THE CASH FLOW STATEMENT

The cash flow absorbed in 2022 amounts to EUR 1,770 thousand.

(Values in thousands of EUR)	Full year 2022	Full year 2021
Opening balance (A)	**3,992**	**6,240**
Cash flow (absorbed) / generated by operating activity (B)	(13,971)	23,868
Cash flow (absorbed) / generated by investing activity (C)	8,977	(77,787)
Cash flow (absorbed) / generated by financing activity (D)	6,764	51,671
Increase / (decrease) in cash flow (E)=(B)+(C)+(D)	**1,770**	**(2,248)**
Cclosing balance (F)=(A)+(E)	**5,762**	**3,992**

32. Net cash flow (absorbed)/generated by operating activity

The cash flow absorbed by operating activity during 2022 amounts to EUR 13,971 thousand.

The cash flow from operating activities is analysed below:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021
Profit before taxes	(3,775)	(18,314)
Amortisation	13,591	16,786
Accrual (+)/availment (-) of long term provisions and post employment benefits	(2,945)	1,597
Paid income taxes	(458)	4,121
Financial income (-) and financial charges (+)	2,472	1,200
Change in operating assets and liabilities	(22,856)	18,478
Cash flow (absorbed)/ generated by operating activity	**(13,971)**	**23,868**

33. Net cash flow (absorbed)/generated by investing activity

The cash flow absorbed by investing activity during 2022 amounts to EUR 8,977 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021
Increase (-)/ decrease (+) in intangible fixed assets	(657)	(351)
Increase (-)/ decrease (+) in tangible fixed assets	(368)	(682)
Increase (-)/ decrease (+) in right-of-use assets	1,745	(745)
Investments (-)/ Disinvestments (+)	8,257	(76,009)
Cash flow (absorbed)/ generated by investing activity	**8,977**	**(77,787)**

34. Net cash flow (absorbed)/generated by financing activity

The cash flow generated by financing activity during 2022 amounts to EUR 6,764 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2022	Full Year 2021
Other variations in reserves and profits carried-forward of shareholders' equity	13,997	(1,134)
Proceeds (+)/repayments (-) of financial payments	(976)	53,749
Proceeds (+)/ repayment (-) of lease payments	(4,204)	(1,112)
Increase (-)/ decrease (+) in long term financial receivables	419	1,368
Financial income (+) and financial charges (-)	(2,472)	(1,200)
Cash flow (absorbed)/ generated by financing activity	**6,764**	**51,671**

OTHER INFORMATION

35. Incentive plans

Regarding the long term incentive plans reserved to executive directors of Aeffe S.p.A., please refer to the indicated in the Report on remuneration available from the governance section of the following website: www.aeffe.com.

36. Net financial position

As required by ESMA guidance 32-382-1138 of March 4, 2021, in line with the "Warning no. 5/21 "of 29 April 2021 of Consob, it should be noted that the debt of the Aeffe S.p.A. at 31 December 2022 is as follows:

(Values in thousands of EUR)	31 December 2022	31 December 2021
A - Cash	5,761	3,992
B - Cash equivalents		
C - Other current financial assets	-	-
D - Liquidity (A + B + C)	**5,761**	**3,992**
E - Current financial debt	31,950	19,791
F - Current portion of non-current financial debt	17,871	6,687
G - Current financial indebtedness (E + F)	**49,821**	**26,478**
H - Net current financial indebtedness (G - D)	**44,060**	**22,486**
I - Non-current financial debt	83,562	112,085
J - Debt instruments	-	
K - Non-current trade and other payables	-	-
L - Non-current financial indebtedness (I + J + K)	**83,562**	**112,085**
M - Total financial indebtedness (H + L)	**127,622**	**134,571**

Net financial position of the Company amounts to EUR 127,622 thousand at December 31, 2022 compared to EUR 134,571 thousand at December 31, 2021, with an increase of EUR 6,950 thousand.

The cash and cash equivalents of Aeffe S.p.A, as a result of the merger, increased by EUR 734 thousand.

Financial indebtedness net of the effect of the application of IFRS 16 is equal to EUR 117,995 thousand as at 31 December 2022 compared to EUR 120,741 thousand as at 31 December 2021.

37. Intercompany transactions

Aeffe S.p.A. also operates via its own direct or indirect subsidiaries. Operations carried out with them mainly concern the exchange of goods, the performance of services and the provision of financial resources. All transactions arise in the ordinary course of business and are settled on market terms i.e. on the terms that are or would be applied between two independent parties.

The effect of these transactions on the individual captions reported in the 2022 and 2021 financial statements, as shown in the supplementary income statement and balance sheet prepared for this purpose, is summarised in the following tables:

COSTS AND REVENUES

(Values in thousands of EUR) Year 2022	Revenues from sales and services	Other revenues and income	Costs of raw materials, cons. and goods for resale	Costs of services	Costs for use of third parties assets	Other operating costs	Financial income (expenses)
Moschino Group	23,787	41	175	4,508	14,470	1	(320)
Pollini Group	2,473	3,220	16,591	278	8		1
Aeffe Retail Group	15,091	842	16	113		2	
Velmar S.p.A.*	589	1,747	947	1,281	105		
Aeffe Usa Inc.	6,278	1		556		1	(78)
Aeffe UK L.t.d.	(276)	9	3	250		5	3
Aeffe France S.a.r.l.	215	1	3	391		8	2
Aeffe Germany G.m.b.h.	766						
Aeffe Spagna S.l.u.	817	1					
Aeffe Netherlands BV	935	2					
Total Group companies	**50,675**	**5,864**	**17,735**	**7,377**	**14,583**	**17**	**(392)**
Total income statement	164,666	10,147	65,187	49,588	15,443	(1,765)	(2,472)
Incidence % on income statement	**30.8%**	**57.8%**	**27.2%**	**14.9%**	**94.4%**	**(1.0%)**	**15.9%**

*It should be noted that on 28/12/2022, as part of a simplification of the corporate structure, the merger by incorporation of the company Velmar S.p.A. was completed, in AEFFE S.p.A, 100% controlled. The Company is considered separately in this table in order to provide data comparable with the previous year.

(Values in thousands of EUR) Year 2021	Revenues from sales and services	Other revenues and income	Costs of raw materials, cons. and goods for resale	Costs of services	Costs for use of third parties assets	Other operating costs	Financial income (expenses)
Moschino Group	19,044	911	122	2,017	7,648	2	(46)
Pollini Group	1,384	3,112	13,638	209	3	-	18
Aeffe Retail Group	12,604	809	51	88	-	-	-
Velmar S.p.A.	391	1,211	183	-	-	-	(48)
Aeffe Usa Inc.	3,275	1	-	296	-	-	(35)
Aeffe UK L.t.d.	231	1	-	950	-	5	1
Aeffe France S.a.r.l.	112	1	2	292	-	5	6
Aeffe Shanghai	(113)	-	-	-	-	-	-
Aeffe Germany G.m.b.h.	665	1	-	161	-	-	-
Divè	-	64	-	-	-	-	-
Aeffe Spagna S.l.u.	293	-	-	-	-	-	-
Total Group companies	**37,886**	**6,111**	**13,996**	**4,013**	**7,651**	**12**	**(104)**
Total income statement	114,173	7,767	47,111	35,866	8,375	(1,253)	(1,200)
Incidence % on income statement	**33.2%**	**78.7%**	**29.7%**	**11.2%**	**91.4%**	**(1.0%)**	**8.7%**

RECEIVABLES AND PAYABLES

(Values in thousands of EUR) Year 2022	Other fixed assets	Trade receivables	Other provisions	Non-current financial liabilities	Non-current not financial liabilities	Trade payables
Moschino Group		27,206		17,180		36,800
Pollini Group		5,885				10,972
Aeffe Retail Group		18,978				10,197
Aeffe Usa Inc.		1,375		2,625		1,967
Aeffe UK L.t.d.	316	3,982	2,848			1,793
Aeffe France S.a.r.l.	243	2,445	399			670
Aeffe Germany G.m.b.h		1,268				325
Aeffe Spagna S.l.u.		259				
Aeffe Netherlands BV		501				
Total Group companies	**559**	**61,899**	**3,247**	**19,805**	**-**	**62,724**
Total balance sheet	559	78,011	4,281	83,562	198	100,421
Incidence % on balance sheet	**100.0%**	**79.3%**	**75.8%**	**23.7%**	**0.0%**	**62.5%**

(Values in thousands of EUR) Year 2021	Other fixed assets	Trade receivables	Other provisions	Non-current financial liabilities	Non-current not financial liabilities	Trade payables
Moschino Group	-	6,010	-	15,580	-	22,905
Pollini Group	-	4,842	-	-	-	5,875
Aeffe Retail Group	-	4,636	-	-	-	7,883
Velmar S.p.A.	-	2,687	-	19,000	-	1,515
Aeffe Usa Inc.	-	1,502	-	3,090	-	1,067
Aeffe UK L.t.d.	333	3,362	1,618	-	-	1,775
Aeffe France S.a.r.l.	243	3,989	1,164	-	-	528
Aeffe Japan Inc.	120	2,160	2,254	-	-	
Aeffe Shanghai	-	2,481	416	-	-	1,151
Aeffe Germany G.m.b.h	-	769	-	-	-	325
Aeffe Spagna S.l.u.	-	358	-	-	-	-
Total Group companies	**696**	**32,796**	**5,452**	**37,670**	**-**	**43,024**
Total balance sheet	978	37,216	5,506	112,085	207	71,146
Incidence % on balance sheet	**71.2%**	**88.1%**	**99.0%**	**33.6%**	**0.0%**	**60.5%**

38. Transactions with related parties

Transactions between the Company and related parties mainly concern the exchange of goods, the performance of services and the provision of financial resources. All transactions arise in the ordinary course of business and are settled on market terms i.e. on the terms that are or would be applied between two independent parties.

The following schedule summarises the Company's transactions with other related parties:

(Values in thousands of EUR)	31 December 2022	31 December 2021	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.A.			
Contract for the sale of artistic assets and design	1,000	1,000	Cost
Commerciale Valconca with Aeffe S.p.A.			
Revenues	141	207	Revenue
Cost of services	50	50	Cost
Property rental	75	75	Cost
Commercial	513	658	Receivable
Ferrim with Aeffe S.p.A.			
Property rental	920	892	Cost

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet and cash flow as of 31 December 2022 and 31 December 2021:

(Values in thousands of EUR)	Balance 2022	Value rel. party 2022	%	Balance 2021	Value rel. party 2021	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	164,666	141	0.1%	114,173	207	0.2%
Costs of services	49,588	1,125	2.3%	35,866	1,125	3.1%
Costs for use of third party assets	15,443	920	6.0%	8,375	892	10.7%
Incidence of related party transactions on the balance sheet						
Trade receivables	78,011	513	0.7%	37,216	658	1.8%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activity	(13,971)	(1,759)	12.6%	23,868	(1,871)	n.a.
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	(117,995)	(1,759)	1.5%	(120,741)	(1,871)	1.5%

39. Atypical and/or unusual transactions

Pursuant to Co.N.So.B Communication DEM/6064293 dated 28 July 2006, it is confirmed that the Company did not enter into any atypical and/or unusual transactions (as defined in such Communication) during 2022.

40. Significant non-recurring events and transactions pursuant to the Co.N.So.B regulation of 28 July 2006

No significant non-recurring events, occurred the year, have to be reported.

41. Guarantees and commitments

As of 31 December 2022, the Company has given performance guarantees to third parties totaling EUR 1,876 thousand (EUR 4,357 thousand as of 31 December 2021).

42. Contingent liabilities

Fiscal disputes

In consideration of the fact that there are no significant tax disputes, no provision has been set aside.

43. Information pursuant to art. 149-duodecies of Co.N.So.B's Issuers' Regulations

The following schedule, prepared pursuant to art. 149-duodecies of Co.N.So.B's Issuers' Regulation, shows the fees incurred in 2022 for auditing services and non-auditing services provided by the appointed firm for auditors. No services were provided by members of the auditing firm's network.

(Values in thousands of EUR)	Service provider	2022 fees
Audit	RIA GRANT THORNTON S.p.A.	100
Audit non-financial statement (DNF)	BDO ITALIA S.p.A.	50
R&D tax credit certification	RIA GRANT THORNTON S.p.A.	9
Consolidated ESEF financial statements	BDO ITALIA S.p.A.	8
Consolidated ESEF financial statements	RIA GRANT THORNTON S.p.A.	8
Total		**175**

ATTACHMENTS TO THE EXPLANATORY NOTES

ATTACHMENT	I:	List of investments in subsidiary and other companies
ATTACHMENT	II:	Balance Sheet with related parties
ATTACHMENT	III:	Income Statement with related parties
ATTACHMENT	IV:	Cash Flow Statement with related parties
ATTACHMENT	V:	Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding S.r.l. at 31 December 2021

ATTACHMENT I

List of investments in subsidiary companies

requested by Co.N.So.B Communication no. DEM/6064293 dated 28 July 2006

Company	Registered office	Currency	Share Capital	Net profit for the period	Net equity	Direct interest	Number of shares	Book value
(Values in units of EUR)								
In subsidiaries companies:								
Italian companies								
Aeffe Retail S.p.A.	**S.G. in Marignano (RN) Italy**							
At 31/12/21			8,585,150	(6,806,642)	7,285,319	100%	8,585,150	26,593,345
At 31/12/22			8,585,150	(3,180,918)	4,104,401	100%	8,585,150	19,786,703
Moschino S.p.A.	**S.G. in Marignano (RN) Italy**							
At 31/12/21			66,817,108	(4,920,753)	104,095,558	100%	66,817,108	113,949,124
At 31/12/22			66,817,108	157,602	104,253,160	100%	66,817,108	113,949,124
Pollini S.p.A.	**Gatteo (FC) Italy**							
At 31/12/21			6,000,000	7,861,757	66,344,688	100%	6,000,000	41,945,452
At 31/12/22			6,000,000	944,666	67,289,355	100%	6,000,000	41,945,452
Foreign companies								
Aeffe France S.a.r.l.	**Parigi (FR)**							
At 31/12/21			50,000	9,842	65,097	100%	n.d. *	
At 31/12/22			50,000	1,170,800	1,235,897	100%	n.d. *	
Aeffe UK L.t.d.	**Londra (GB)**							
At 31/12/21		GBP	310,000	(910,040)	(1,279,660)	100%	n.d. *	
			368,916	(1,082,944)	(1,522,861)	100%	n.d. *	
At 31/12/22		GBP	310,000	(1,246,590)	(2,526,252)	100%	n.d. *	
			349,532	(1,405,559)	(2,848,407)	100%	n.d. *	
Aeffe USA Inc.	**New York (USA)**							
At 31/12/21		USD	600,000	19,839	11,808,462	100%	n.d. *	
			529,755	17,516	10,425,977	100%	n.d. *	10,664,812
At 31/12/22		USD	600,000	289,979	12,098,441	100%	n.d. *	
			562,535	271,872	11,342,997	100%	n.d. *	10,664,812
Aeffe Germany G.m.b.h.	**Metzingen (Germany)**							
At 31/12/21			25,000	(7,021)	278,780	100%	n.d. *	525,000
At 31/12/22			25,000	(280,304)	(1,524)	100%	n.d. *	525,000
Aeffe Spagna S.l.u.	**Barcellona (Spagna)**							
At 31/12/21			320,000	(183)	310,116	100%	n.d. *	320,000
At 31/12/22			320.000	176,420	479,574	100%	n.d. *	320,000
Aeffe Netherlnads Bv								
Al 31/12/22			25,000	115,137	140,137	100%	n.d. *	25,000
Total interests in subsidiaries:								**187,216,091**

List of investments in other companies

requested by Co.N.So.B Communication no. DEM/6064293 dated 28 July 2006

Company	Registered office	Currency	Share Capital	Net profit for the period	Net equity	Direct interest	Number of shares		Book value
(VAtues in units of EUR)									
In other companies									
Conai									
At 31/12/21									109
At 31/12/22									135
Caaf Emilia Romagna									
At 31/12/21						0,688%	5.000		2.600
At 31/12/22						0,688%	5.000		2.600
Assoform									
At 31/12/21						1,670%	n.d.	*	1.667
At 31/12/22						1,670%	n.d.	*	1.667
Consorzio Assoenergia Rimini									
At 31/12/21						2,100%	n.d.	*	516
At 31/12/22						2,100%	n.d.	*	516
Fondazione MadeinItaly circolare-sostenibile									
Al 31/12/22									9.411
Effegidi									
At 31/12/21									6.000
At 31/12/22									6.000
Totat interests in other companies:									**20.329**
* quota									
Total interests:									**187.236.420**

ATTACHMENT II

Balance Sheet, with related parties

Pursuant to Co.N.So.B Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	31 December 2022	of which related parties	31 December 2021	of which related parties
Trademarks		2,520		2,646	
Other intangible fixed assets		857		641	
Intangible fixed assets	(1)	3,377		3,286	
Lands		17,320		17,320	
Buildings		21,240		21,848	
Leasehold improvements		602		685	
Plant and machinery		1,107		1,285	
Equipment		38		50	
Other tangible fixed assets		591		629	
Total tangible fixed assets	(2)	40,897		41,817	
Right-of-use assets	(3)	7,999		12,012	
Equity investments	(4)	187,236	187,216	202,299	202,288
Other fixed assets	(5)	559	559	978	696
Deferred tax assets	(6)	1,750		2,757	
NON-CURRENT ASSETS		**241,817**		**263,148**	
Stocks and inventories	(7)	34,043		29,328	
Trade receivables	(8)	78,011	62,412	37,216	33,454
Tax receivables	(9)	8,285		4,949	
Cash	(10)	5,762		3,992	
Other receivables	(11)	14,017		12,766	
CURRENT ASSETS		**140,117**		**88,251**	
TOTAL ASSETS		**381,935**		**351,400**	
Share capital		24,606		24,917	
Other reserves		103,599		105,238	
Profits / (Losses) carried-forward		2,375		2,348	
Net profit / loss		(5,335)		(15,920)	
SHAREHOLDERS' EQUITY	**(12)**	**125,246**		**116,583**	
Provisions	(13)	4,281	3,247	5,506	5,452
Deferred tax liabilities	(5)	6,839		6,801	
Post employment benefits	(14)	2,570		3,077	
Long term financial liabilities	(15)	83,562	19,805	112,085	37,670
Long term not financial liabilities	(16)	198	-	207	
NON-CURRENT LIABILITIES		**97,451**		**127,675**	
Trade payables	(17)	100,421	62,724	71,146	43,024
Tax payables	(18)	1,498		1,442	
Short term financial liabilities	(19)	49,821		26,478	
Other liabilities	(20)	7,497		8,075	
CURRENT LIABILITIES		**159,238**		**107,141**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**381,935**		**351,400**	

ATTACHMENT III

Income Statement, with related parties

Pursuant to Co.N.So.B Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	Full year 2022	of which related parties	Full year 2021	of which related parties
REVENUES FROM SALES AND SERVICES	**(21)**	**164,666**	**50,816**	**114,173**	**38,093**
Other revenues and income	(22)	10,147	5,864	7,767	6,111
TOTAL REVENUES		**174,813**		**121,940**	
Changes in inventory		(255)		(1,551)	
Costs of raw materials, cons. and for resale	(23)	(65,187)	(17,735)	(47,111)	(13,996)
Costs of services	(24)	(49,588)	(8,502)	(35,866)	(5,138)
Costs for use of third parties assets	(25)	(15,443)	(15,503)	(8,375)	(8,543)
Labour costs	(26)	(30,288)		(28,112)	
Other operating expenses	(27)	(1,765)	(17)	(1,253)	(12)
Amortisation and write-downs	(28)	(13,591)		(16,786)	
Financial income/(expenses)	(29)	(2,472)	(392)	(1,200)	(104)
PROFIT / LOSS BEFORE TAXES		**(3,775)**		**(18,314)**	
Income taxes	(30)	(1,560)		2,393	
NET PROFIT / LOSS		**(5,335)**		**(15,920)**	

ATTACHMENT IV

Cash Flow Statement, with related parties

Pursuant to Co.N.So.B Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	Full Year 2022	of which related parties	Full Year 2021	of which related parties
Opening balance		**3,992**		**6,240**	
Profit before taxes		(3,775)		(18,314)	
Amortisation / write-downs		13,591		16,786	
Accrual (+)/availment (-) of long term provisions and post employment benefits		(2,945)		1,597	
Paid income taxes		(458)		4,121	
Financial income (-) and financial charges (+)		2,472		1,200	
Change in operating assets and liabilities		(22,856)	(9,258)	18,478	10,939
Cash flow (absorbed) / generated by operating activity	**(32)**	**(13,971)**		**23,868**	
Increase (-)/ decrease (+) in intangible fixed assets		(657)		(351)	
Increase (-)/ decrease (+) in tangible fixed assets		(368)		(682)	
Increase (-)/ decrease (+) in right-of-use assets (1)		1,745		(745)	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		8,257	15,072	(76,009)	(66,356)
Cash flow (absorbed) / generated by investing activity	**(33)**	**8,977**		**(77,787)**	
Variations in shareholders' equity		13,997		(1,134)	
Proceeds (+)/repayments (-) of financial payments		(976)	(17,865)	53,749	25,285
Proceeds (+)/ repayment (-) of lease payments		(4,204)		(1,112)	
Increase (-)/ decrease (+) in long term financial receivables		419	(137)	1,368	(955)
Financial income (+) and financial charges (-)		(2,472)		(1,200)	
Cash flow (absorbed) / generated by financing activity	**(34)**	**6,764**		**51,671**	
Closing balance		**5,762**		**3,992**	

ATTACHMENT V

Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2021

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2021	STATUTORY FINANCIAL STATEMENTS 2020
BALANCE SHEET		
Intangible fixed assets	63,333	71,599
Tangible fixed assets	1,427,949	1,610,526
Equity investments	54,543,586	54,741,025
Non current assets	**56,034,868**	**56,423,150**
Trade receivables	174,214	213,145
Tax receivables	1,195,733	1,165,820
Cash	266,148	30,921
Other receivables	2,959	3,134
Current assets	**1,639,054**	**1,413,020**
Total assets	**57,673,922**	**57,836,170**
Share capital	100,000	100,000
Share premium reserve	50,452,265	51,025,433
Other reserves	15,038	15,038
Approximations	-	-
Net profit/(loss)	(167,534)	(573,169)
Shareholders' equity	**50,399,769**	**50,567,302**
Provisions	66,601	90,107
Long term financial liabilities	-	-
Non-current liabilities	**66,601**	**90,107**
Trade payables	7,207,552	7,178,761
Current liabilities	**7,207,552**	**7,178,761**
Total shareholders' equity and liabilities	**57,673,922**	**57,836,170**
INCOME STATEMENT		
Revenues from sales and services	**498,265**	**355,387**
Other revenues and income	4	-
Total revenues	**498,269**	**355,387**
Operating costs	(440,359)	(448,887)
Costs for use of third parties assets	-	-
Amortisation and write-downs	(268,177)	(263,591)
Other operating expenses	(15,470)	(66,024)
Financial income (expenses)	4,784	(313,642)
Profit before taxes	**(220,953)**	**(736,757)**
Income taxes	53,419	163,588
Net profit/(loss)	**(167,534)**	**(573,169)**

Certification of the Consolidated Financial Statements pursuant to art.81-ter of Consob Regulation N. 11971 of 14 May 1999, as amended

The undersigned Simone Badioli as chief executive officer and Matteo Scarpellini as manager responsible for preparing Aeffe S.p.A.'s financial reports, pursuant to the provisions of art. 154 bis, clauses 3 and 4, of Legislative Decree n. 58 of 1998, hereby attest:

- the adequacy with respect to the Company structure and
- the effective application;

of the administrative and accounting procedures applied in the preparation of the statutory financial statements at 31 December of 2022.

The undersigned moreover attest that the consolidated financial statements:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002;

b) correspond to the amounts shown in Company's accounts, books and records;

c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

The report on operations includes a reliable operating and financial review of the Company as well as a description of the main risks and uncertainties to which they are exposed.

15 March 2023

Chief executive officer

Simone Badioli

Manager responsible for preparing Aeffe S.p.A. financial reports

Matteo Scarpellini